



2018/2019

**ANNUAL IDP, BUDGET AND
SUPPORTING DOCUMENTATION
OF MOGALE CITY LOCAL
MUNICIPALITY**

ANNUAL BUDGET OF
MOGALE CITY LOCAL
MUNICIPALITY

2018/2019 TO 2020/2021
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Mayor's Report

Mayor to deliver his speech at the final approval of the budget.

1.2 Introduction

1. South African economy and inflation targets

“The 2018 Budget Review emphasized that, although global risk factors remain elevated, the world economy continues to provide a supportive platform for South Africa to expand trade and investment. The world economic growth is at its highest since 2014 and continues to gather pace with Gross Domestic Product (GDP) growth increasing across all major economies.

South Africa has experienced a period of protracted economic weakness which diminishes private investment. This may be attributed to domestic constraints, associated to political uncertainty, and declining business and consumer confidence. The local economy is beginning to recover after a short recession in early 2017 however the improvement is insufficient. Growth has remained stagnant at less than 2 per cent and unemployment remains high at 26.7 per cent. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.

The GDP growth rate is forecasted at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020. Statistics South Africa’s December 2017 economic statistics showed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining.

The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. The drought experienced in several provinces poses significant risks to agriculture and tourism for the period ahead, and this may threaten jobs in these sectors. The current water crisis in the Western Cape and other provinces will affect economic growth. While the drought’s impact is uncertain much depends on how long it will prevail; the extent to which specific catchment areas are affected; and the success of mitigation measures.

These economic challenges will continue to exert pressure on municipal revenue generation and collection levels hence a conservative approach is advised for revenue projections. Municipalities affected by the drought should also consider its impact on revenue generation. In addition, municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures”.

2. Municipal Standard Chart of Accounts (mSCOA)

The mSCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017.

MSCOA provides for several mechanisms for strengthening accountability, facilitating budget reporting and adding value to the budget process to ultimately improve Service Delivery.

2.1 Overview of mSCOA budget

Improved processes for municipal planning and budgeting empower a council to make more informed decisions and are fundamental to sustainable and efficient service provision.

After alignment of the processes and systems to the new mSCOA classification framework, the data and underlying insight on the information will have a great impact on the reporting and decisions made by management and other users.

2.2 Benefits of mSCOA segments on Budgeting

1. Project – Ensures alignment between the IDP, Medium-Term Budget and Expenditure Framework (MTREF), SDBIP, in year monitoring & Reporting and Annual Financial Statement processes. Also measure of service delivery will improve.
2. Funding – Facilitates accumulation of budget information and adherence to Section 18 of MFMA.
3. Function – Promotes departmental involvement and accurate reporting, for example: *Historically planning for the budget was done by CFO in one office. The engineers/project managers (implementing the project) was not necessarily involved. mSCOA brings about a business change and when planning e.g. repairs and maintenance everyone (budget manager, engineer and accountant) will do joint planning.*
4. Item – Promotes uniformity, and assists in benchmarking.
5. Region – Indicates whether services are rendered fairly and impartially, and assists in decision making. Also indicates whether spending is aligned to plans.
6. Costing – Powerful management tool in the planning phase and assists in accurate Tariff Setting.

Mogale City has over the years have been phasing a rapid development or growth, which essentially meant that whilst there is infrastructure that requires continued maintenance and/or rehabilitation, there is a huge demand for new infrastructure to cater specifically for backlogs and previously under-serviced areas.

Therefore, the approach adopted in developing this budget was to align IDP Priorities and Strategies to National and Provincial KPA's using zero based budgeting, development of key budget related policies (Liquidity Policy and Funding & Reserves Policy); and tracking the achievement of the legislative mandate. **As such the available resources are allocated underpinned by the following principles:**

- ❑ The Council is committed to stringent budgeting policies and parameters through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain the infrastructure in established areas.
- ❑ The Council is also committed to ensuring that consultation on the budget takes place as widely as possible.
- ❑ To achieve balanced budgets on an affordable basis now and in future.
- ❑ The Council is further committed to levying affordable tariff increases and in this regard we have managed to achieve single increase in Property rates, refuse removal and other sundry tariffs the reason is to alleviate the burden in low – income earners customers. There is no increase in cemeteries fees expect for non-residents.

1.3. Recommended to the Municipal Council

1. That the draft annual IDP, Budget & SDBIP of Mogale City Local Municipality for the financial year 2018/2019 and the indicative estimates for the two projected outer years 2019/2020 and 2020/2021, as set out in the schedules listed below be **tabled** in order to present these proposals to stakeholders for consultation:
 - 1.1. The annual IDP, Budget & SDBIP of the municipality for the financial year 2018/2019 and the multi-year and single year capital appropriations as set out in the following tables be considered for approval:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 13 (**MBRR Table A2**) on page 32 ;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 14 (**MBRR Table A3**) on page 34;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 16 (**MBRR Table A4**) on page 36; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and functional classification and associated funding by source as contained in Table 17 (**MBRR Table A5**) on page 39.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be tabled as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 18 (**MBRR Table A6**) on page 41;
 - 1.2.2. Budgeted Cash Flows as contained in Table 19 (**MBRR Table A7**) on page 43;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 20 (**MBRR Table A8**) on page 44;
 - 1.2.4. Asset management as contained in Table 21 (**MBRR Table A9**) on page 45;
 - 1.2.5. Basic service delivery measurement as contained in Table 22 (**MBRR Table A10**) on page 47.
2. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the following tariffs:
 - 2.1.1. the tariffs for electricity – as set out in Schedule 4 on page 77-81.
 - 2.1.2. the tariffs for the supply of water – as set out in Schedule 4 on page 82-84.
 - 2.1.3. the tariffs for sanitation services – as set out in Schedule 4 on page 85-87.
 - 2.1.4. the tariffs for property rates – as set out in Schedule 4 on page 88.
 - 2.1.5. the tariffs for solid waste removal – as set out in Schedule 4 on page 89-90
3. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the tariffs for other services, as set out in Schedule 4 on page 91-114.
4. The Executive Mayor of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the reviewed rates policy for public participation.
5. The Executive Mayor of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the rates By-laws to give effect to the rates policy for public participation.
6. That the increase in the above tariffs is not applicable to the following categories of cemetery fees which shall be kept at zero:
 - Cemetery fee: Adult monumental sections – standard (weekdays and weekends)
 - Cemetery fee: Adult monumental sections – re-opening – standard (weekdays and weekends)
 - Cemetery fee: pauper graves (weekdays and weekends)

7. That cognizance be taken of the new tariffs introduced namely: cemetery for non-residents, cemetery for non- South African, grass cutting fee on private properties, Coronation Park entrance fee, Private schools, Private Hospitals as they appear in the tariff schedule.
8. That cognizance be taken of the revised rising block tariff structure introducing a charge of R15 to non-indigent consumers in respect of the first 6kl of water consumed and such introduction done to minimize the increase in tariff and keep the low-income customers within the affordability range for their water bills.
9. That cognizance be taken of the study needed to consider revising the current declining block tariff structure for water applicable to business consumers.
10. That cognizance be taken of the need to consider in future introducing an Incline Block Tariff (IBT) structure for conventional electricity customers.
11. That cognizance be taken of the need to consider in future introducing a shift to a volumetric or property value base for sanitation tariffs and to a property value or other progressive base for solid waste.
12. That cognizance be taken of the provision made for a 6.6% increase in the salaries of employees this was informed by the average CPI expected including section 54A and 56 officials.
13. That cognizance be taken made for a 6% estimated increase in salaries of councillors which still have to be announced in terms of Public Office Bearers Act.
14. That the draft Integrated Development Plan in which the Executive Mayor is recommendation to the municipal council strategies, programmes and services to address community priority needs.
15. That the draft Service Delivery and Budget Implementation which the Executive Mayor defines the key performance indicators to evaluate progress in the implementation of the strategies, programmes and services.
16. That comments be invited through the public participation process on the new policies namely;
 - Annexure 17: Liquidity Policy,
 - Annexure 18: Funding & Reserves Policy
 - Annexure 19: Methodology for the Impairment & Assessment of Useful Lives of Assets Policy
 - Annexure 20: Model SCM Policy for Infrastructure Procurement & Delivery Management
 - Annexure 21: Waste Minimisation Sorting & Recycling Policy
17. That the following budget related policies, IDP & SDBIP be tabled for public participation:
 1. Annexure 1: Property Rates Policy
 2. Annexure 2: Property Rates By-Laws
 3. Annexure 3: Credit Control & Debt Collection Policy
 4. Annexure 4: Indigent Management Policy
 5. Annexure 5: Borrowing Policy
 6. Annexure 6: Budget Management Policy
 7. Annexure 7: Cash Management & Investment Policy
 8. Annexure 8: Long Term Financial Planning Policy
 9. Annexure 9: Asset Management Policy
 10. Annexure 10: Virement Policy
 11. Annexure 11: Supply Chain Management Policy
 12. Annexure 12: Unauthorised Irregular Fruitless & Wasteful Expenditure Management

- 13. Annexure 13: 1% Social Responsibility Policy
- 14. Annexure 14: Waste Tariff Policy
- 15. Annexure 15: 2018/2019 Draft IDP
- 16. Annexure 16: Draft Service Delivery & Budget Implementation Plan

8. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2018/2019 financial year:

- 1. Write Off Policy
- 2. Sports & Recreation Facilities Tariff Policy
- 3. General Tariff Policy
- 4. Public Safety Tariff Policy
- 5. Development Contribution for Engineering Services Policy
- 6. Water Services By-laws
- 9. Mogale City Tree Management & Conservation Policy
- 10. Mogale City Parks By-Laws

1.4 Executive Summary

The Municipal Finance Management Act (MFMA) No 56 of 2003 section 16(2) stipulates that an annual budget must be compiled and tabled in Council by 31 March accompanied as required in terms of section 17 by the reviewed Integrated Development Plan and draft Service Delivery and Budget Implementation Plan. The Municipal Structures Act 117 of 1998 section 56(2) requires the Executive Mayor to recommend to the municipal council strategies, programmes and services to address community priority needs. On the other hand the Municipal System Act 32 of 2000 section 34(a) requires that the municipality must review its integrated development plan annually in accordance with an assessment of its performance measurements in terms of section 41.

Subsequent to the budget being tabled, it should be made available for public consultation. Once the Executive Mayor have considered the inputs from communities and different stakeholders a final budget must be submitted to Council for consideration and approval a month before the start of the financial year.

This budget hereto presented has been compiled based on MFMA Circular No 89 issued on 08 December 2017 and MFMA Circular No 91 issued on the 07 March 2018 by National Treasury to guide municipalities with their preparation of the 2018/2019 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars it should be read within that context. The key focus of this budget is the implementation of municipal Standard Chart of Accounts (mSCOA).

1. DISCUSSION

Mogale City has over the years have been phasing a rapid development or growth, which essentially meant that whilst there is infrastructure that requires continued maintenance and/or rehabilitation, there is a huge demand for new infrastructure to cater specifically for backlogs and previously under-serviced areas. Therefore, the approach adopted in developing this budget was to align IDP Priorities and Strategies to National and Provincial KPA's using zero based budgeting, development of key budget related policies (Liquidity Policy and Funding & Reserves Policy); and tracking the achievement of the legislative mandate. **As such the available resources are allocated underpinned by the following principles:**

- ❑ The Council is committed to stringent budgeting policies and parameters through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain the infrastructure in established areas.
- ❑ The Council is also committed to ensuring that consultation on the budget takes place as widely as possible.
- ❑ To achieve balanced budgets on an affordable basis now and in future.
- ❑ The Council is further committed to levying affordable tariff increases and in this regard we have managed to achieve no increase in Property rates the reason is to alleviate the burden in our customers due to the new valuation roll with increased market value. Single digit increases in Refuse Removal and other Sundry tariffs.
- ❑ The Council expresses its will to allocate effectively the limited resources against the ever increasing demands by looking at ways and means of reducing costs and improving efficiencies to maximize resources.

Mogale City will continue with its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 66, 67, 70, 72, 75, 77, 79, 80, 86, 89 & 91 were used to guide the compilation of the 2018/2019 MTREF.

The main challenges experienced during the compilation of the 2018/2019 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance and renewal of assets;
- Protecting the poor;
- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- The need to reprioritise projects and high expenditure rate within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- The need to fill critical vacancies with limited resources;
- Affordability of capital projects as projected in IDP – own funded capital projects identified in the IDP for which no confirmation of funding is received were included in the two outer year's budget due to affordability.
- The need to reflect cost reflective tariffs for Water and Sanitation with double digit increase from Rand Water of 12.20 per cent.
- The cash flow constraints the municipality is currently experiencing due to huge unpaid creditors carried forward and unsatisfactorily revenue collection rate.

The following budget principles and guidelines directly informed the compilation of the 2018/2019 MTREF:

- The Council is committed to stringent budgeting policies and parameters through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain the infrastructure in established areas.
- The Council is committed to ensuring that consultation on the budget takes place as widely as possible.
- To achieve balanced budgets on an affordable basis now and in future.
- Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.
- The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation.
- The Council is willing to implement the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/2019 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2018/2019 MTREF

R thousand	2016/2017 Audited Outcome	Approved Original Budget 2017/2018	Approved Adjustments Budget 2017/2018	Budget Year 2018/2019	Budget Year +1 2019/2020	Budget Year +2 2020/2021
Total Operating Revenue (including capital transfers)	2 584 840 457	2 813 768 324	2 975 564 675	3 014 214 111	3 094 164 723	3 312 409 086
Total Operating Expenditure	2 729 079 053	2 519 890 236	2 696 380 751	2 733 045 248	2 901 340 747	3 071 630 990
Surplus/(Deficit) after Capital Transfers	(144 238 596)	293 878 088	279 183 924	281 168 863	192 823 976	240 778 096
Total Capital Expenditure	228 814 012	293 878 065	365 039 805	281 168 903	370 083 765	397 336 768
Total Consolidated Budget	2 957 893 065	2 813 768 301	3 061 420 556	3 014 214 151	3 271 424 512	3 468 967 758

Total revenue has increased by 1 per cent or R38, 649,436 for the 2018/2019 financial year when compared to the 2017/2018 Adjustments Budget. For the two outer years, operational will increase to 3 per cent and gradually increases to 7 per cent respectively, equating to a total revenue growth of R336,844,411 over the MTREF when compared to the 2017/2018 adjustment budget.

Total operating expenditure for the 2018/2019 financial year has been appropriated at R2, 733,045,248 and translates into a projected budgeted surplus of R281,168,863 of which R258,732,282 is transfer capital grants from both National & Provincial Government and R22,436,581 is funding own capital project.

When compared to 2017/2018 Adjustment Budget, operational expenditure budget has increased by 1 per cent and increase by 6 and 5.8 per cent for each of the respective outer years of the MTREF.

The capital budget of R281, 168,903 for 2018/2019 is 23 per cent less when compared to the 2017/2018 Adjustment Budget. **Own funded capital projects were decreased drastically due to affordability.** A substantial portion of the capital budget projects will be implemented during 2018/2019 adjustment or 2019/2020 and 2020/2021 financial years with a long term planning of building cash reserves over the MTREF. Own funding contributes 8 per cent in 2018/2019 of the total proposed capital budget.

1.5 Operating Revenue Framework

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of the Council. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.**

The revenue base for the City for other main tariffs excluding electricity, water tariffs for business & sanitation and cemeteries have increased by 6 per cent growth.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 96 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 6.84 per cent still to be approved by the National Electricity Regulator of South Africa (NERSA);
- Water tariff for non-indigent residential consumers is increasing by 5.61% on average through introduction of R15 on the rising block tariff structure for the consumption between 0-6kl whilst the tariff for business consumers increases by 12.20% on the declining block tariff structure. The introduction of R15 on the tariff structure means that only indigent consumers will continue to receive 6kl free.
- Sanitation tariff increase of 12.20 per cent,
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase ability to extend new services and recover costs;
- Increasing debt book;
- The municipality's Indigent Management Policy and rendering of free basic services.

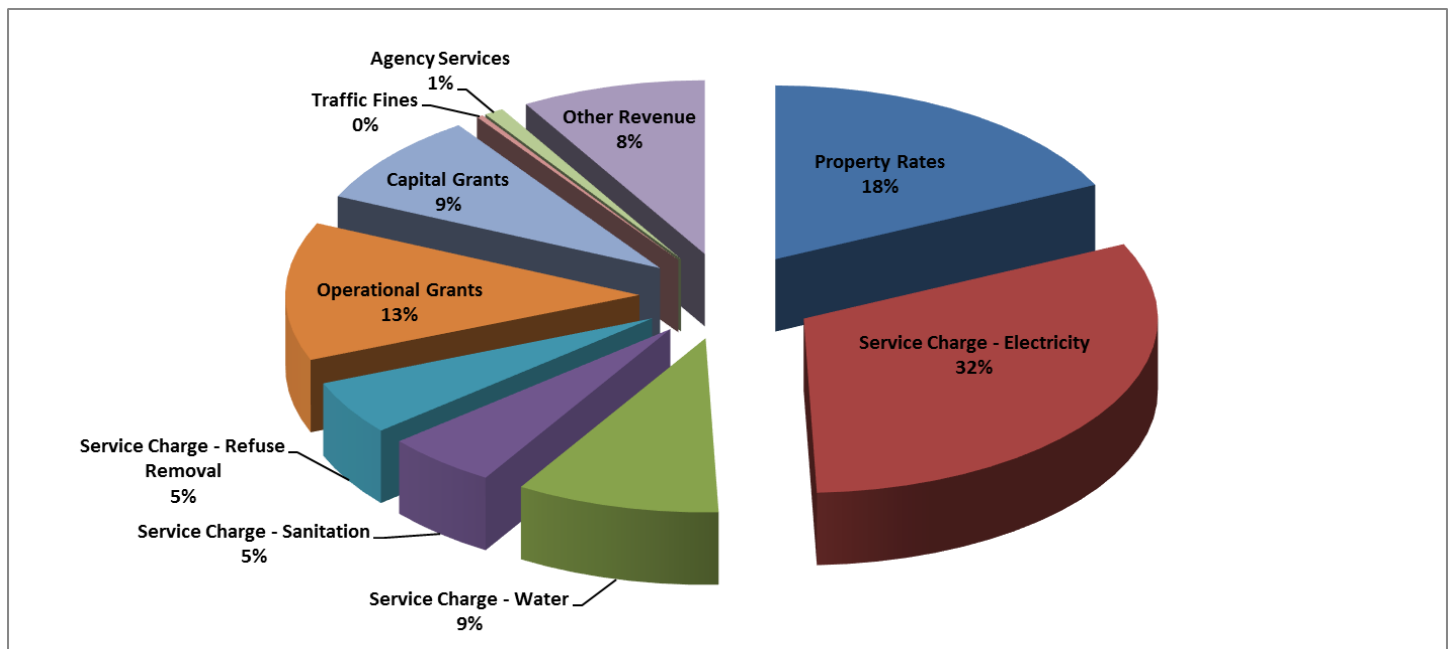


Figure 1 Main operational revenue categories

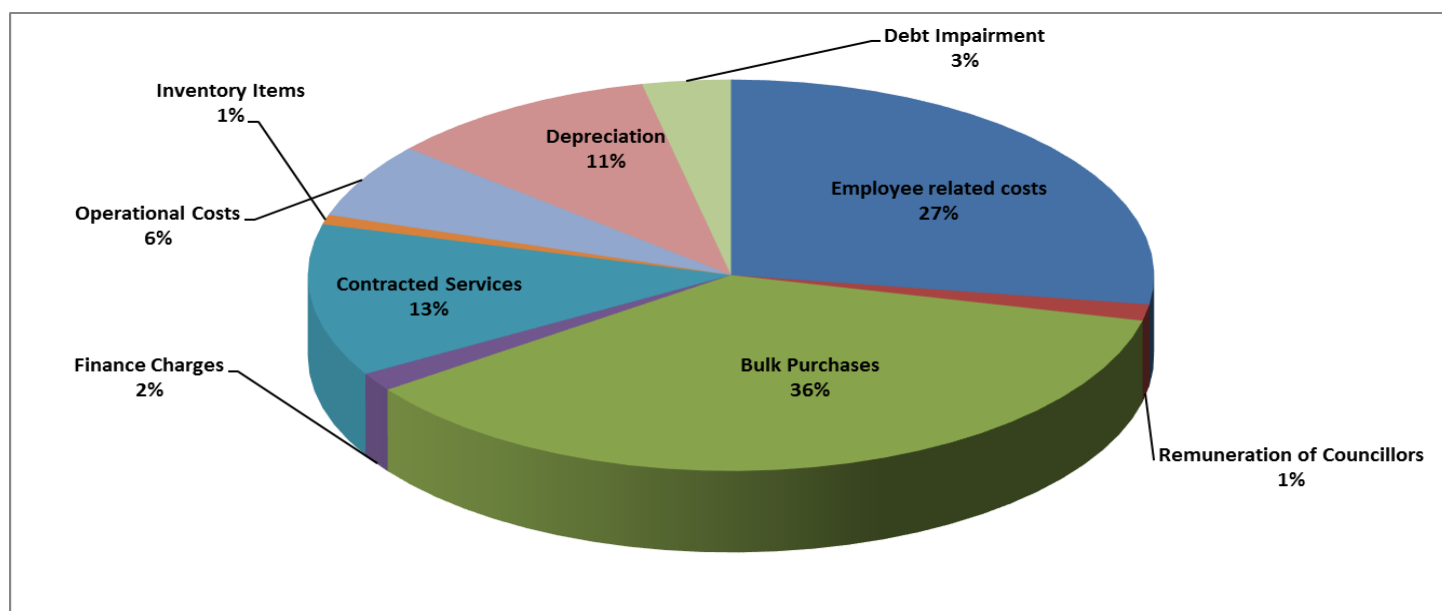


Figure 2 Main operational expenditure categories

Figure 3: Source of revenue

During 2018/2019, the City's total budget amount to approximately R3 billion, the split between operating and capital

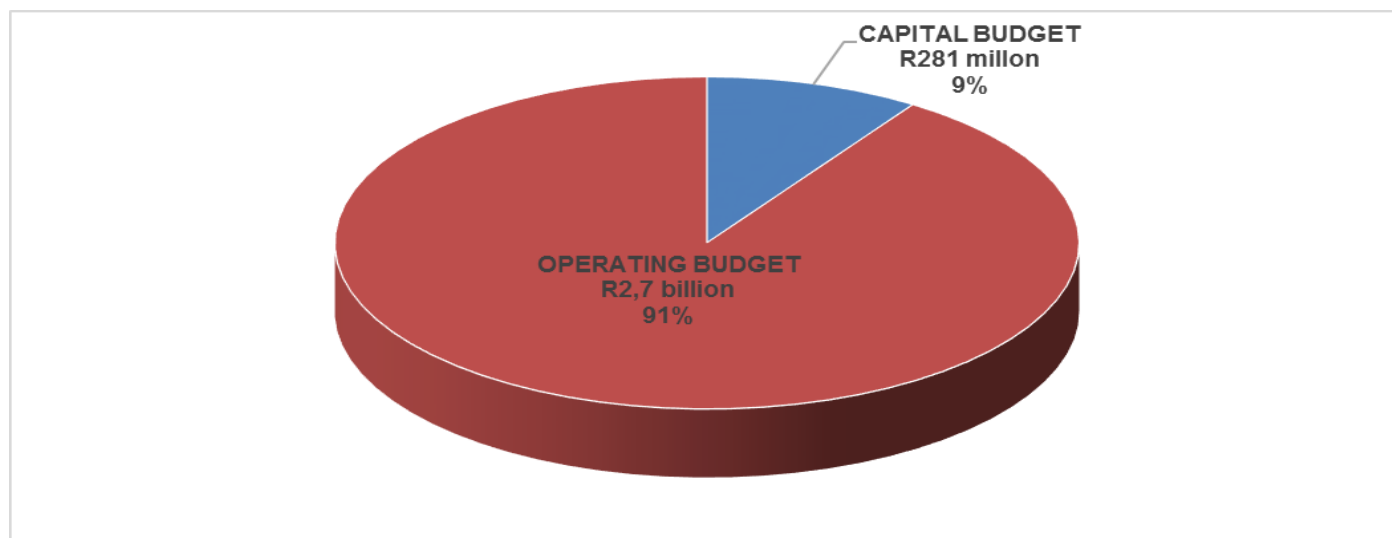


Figure 4: Operating & Capital Budget

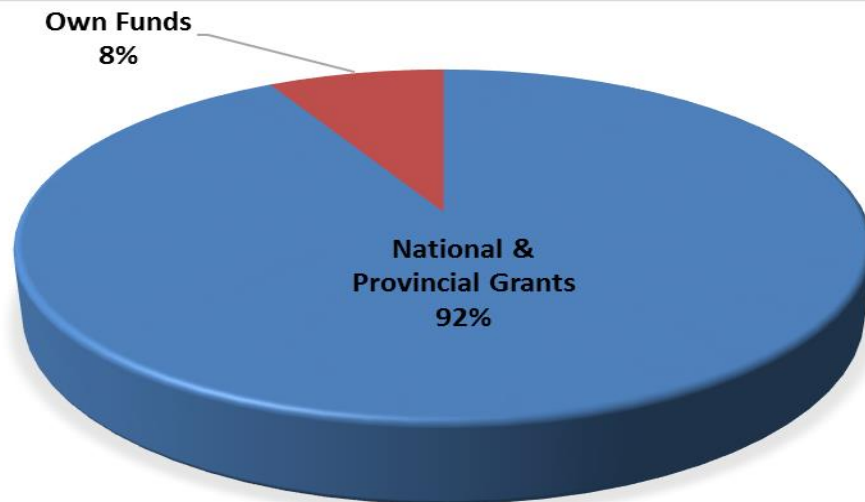
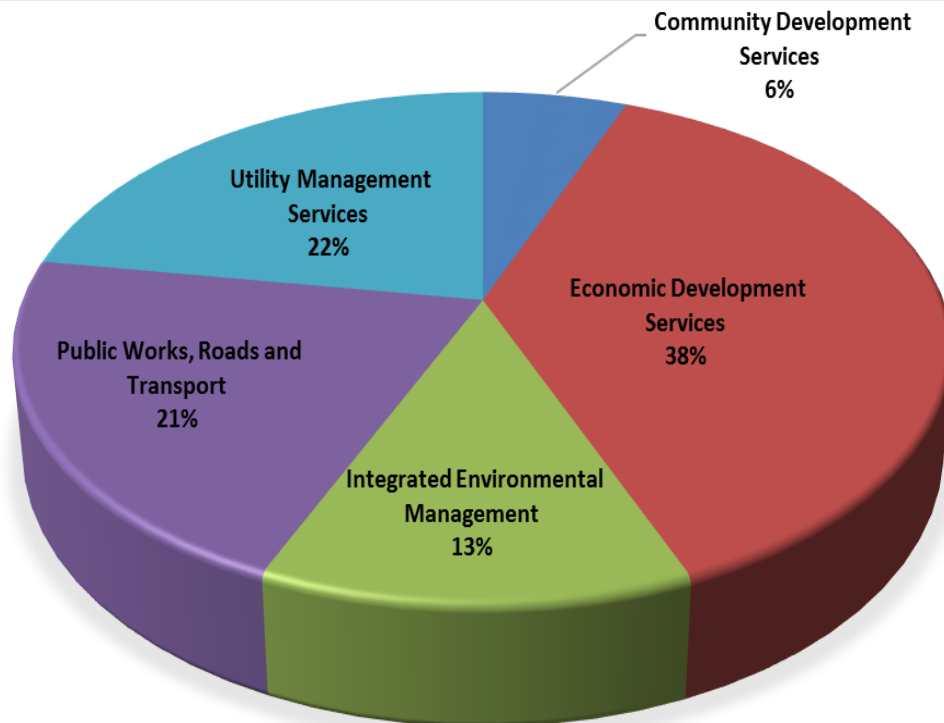


Figure 5: Capital Funding



The following table is a summary of the 2018/2019 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year +1 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source										
Property rates	394 495	438 294	468 862	505 638	510 694	510 694	510 694	541 336	573 816	608 245
Property rates- Penalty imposed and collection charges	24 995	25 046	40 421	32 231	32 553	32 553	32 553	34 781	36 868	39 080
Service charges - electricity revenue	775 086	834 569	862 150	878 587	887 373	887 373	887 373	948 069	1 004 953	1 065 250
Service charges - water revenue	216 547	302 196	313 182	252 058	265 601	265 601	265 601	280 501	297 331	315 171
Service charges - sanitation revenue	127 544	136 170	160 152	136 758	138 125	138 125	138 125	154 977	164 275	174 132
Service charges - refuse revenue	104 034	112 534	119 381	111 400	143 882	143 882	143 882	152 515	161 666	171 366
Rental of facilities and equipment	3 366	3 316	3 398	3 497	5 546	5 546	5 546	6 256	6 632	7 030
Interest earned - external investments	17 286	15 347	13 647	5 957	7 033	7 033	7 033	7 455	7 902	8 377
Interest earned - outstanding debtors	22 291	17 036	30 538	34 436	37 918	37 918	37 918	39 705	42 087	44 612
Dividends received	19	21	-	-	-	-	-	-	-	-
Fines	107 415	135 658	8 520	35 529	3 529	3 529	3 529	9 032	9 573	10 148
Licences and permits	19	28	33	23	23	23	23	35	37	40
Agency services	22 184	24 961	25 428	26 041	26 041	26 041	26 041	27 082	28 707	30 430
Transfers recognised - operational	250 762	272 822	298 894	345 334	343 362	343 362	343 362	387 583	419 535	454 963
Other revenue	93 814	127 037	97 751	232 680	323 700	323 700	323 700	146 155	148 924	151 860
Gains on disposal of PPE	-	-	-	20 000	21 000	21 000	21 000	20 000	-	-
Total Revenue (excluding capital transfers and contributions)	2 159 857	2 445 035	2 442 358	2 620 168	2 746 381	2 746 381	2 746 381	2 755 482	2 902 308	3 080 702

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2017/2018		2018/2019 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2018/2019	%	Budget Year +1 2019/2020	%	Budget Year +2 2020/2021	%
Property rates	510 694	19%	541 336	20%	573 816	20%	608 245	20%
Service charges - electricity revenue	887 373	32%	948 069	34%	1 004 953	35%	1 065 250	35%
Service charges - water revenue	265 601	10%	280 501	10%	297 331	10%	315 171	10%
Service charges - sanitation revenue	138 125	5%	154 977	6%	164 275	6%	174 132	6%
Service charges - refuse revenue	143 882	5%	152 515	6%	161 666	6%	171 366	6%
Service charges – other	32 553	1%	34 781	1%	36 868	1%	39 080	1%
Rental of facilities and equipment	5 546	0%	6 256	0%	6 632	0%	7 030	0%
Interest earned - external investments	7 033	0%	7 455	0%	7 902	0%	8 377	0%
Interest earned – outstanding debtors	37 918	1%	39 705	1%	42 087	1%	44 612	1%
Fines	3 529	0%	9 032	0%	9 573	0%	10 148	0%
Licences and permits	23	0%	35	0%	37	0%	40	0%
Agency services	26 041	1%	27 082	1%	28 707	1%	30 430	1%
Transfers recognised - operational	343 362	13%	387 583	14%	419 535	14%	454 963	15%
Other revenue	323 700	12%	166 155	6%	148 924	5%	151 860	5%
Total Revenue (excluding capital transfers and contributions)	2 746 381	100%	2 755 482	100%	2 902 308	100%	3 080 702	100%
Total revenue from rates and service charges	1 945 675	71%	2 077 397	75%	2 202 041	76%	2 334 163	76%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for Mogale City. Rates and service charges revenues comprise 75 per cent of the total revenue mix during 2018/2019 financial year and increases by 1 per cent in 2019/2020 to 76 per cent and remains constant by 76 per cent in 2020/2021 financial year. During 2017/2018 financial year, revenue from rates and services charges totalled R1.9 billion or 71 per cent. This increases to R2 billion, R2.2 billion and R2.3 billion in the respective financial years of the MTREF. A 5 per cent increase in the total percentage revenue generated from rates and services charges which increases from 71 per cent in 2017/2018 Adjustment Budget to 76 per cent in 2020/2021 financial year is noted. This increase can be mainly attributed to single digit increases, the sale of electricity that contributes to the total revenue mix and budgeting for realistically anticipated revenues. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 20 per cent or R541, 336 million rand and increases to R608, 245 million by 2020/2021. The third largest sources (besides other service charges) is transfer recognised-operational and fourth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R387,583 million in the 2018/2019 financial year an increase of 13 per cent when compared to 2017/2018 Adjustment Budget this increase can attributed to Equitable Share which increase to R419,535 million, and steadily increases to R454,963 million or by 17 per cent over MTREF. Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	243 843	264 858	289 984	332 969	332 886	332 886	380 893	415 465	454 963
Local Government Equitable Share	238 641	259 185	285 456	323 938	323 938	323 938	369 809	408 061	451 269
Finance Management	1 450	1 450	1 408	1 550	1 527	1 527	1 550	1 550	1 550
Municipal Systems Improvement	-	961	-	-	-	-	-	-	-
EPWP Integrated Grant	2 052	1 266	1 089	4 917	4 917	4 917	4 346	-	-
MIG (PMU)	1 700	1 996	2 031	2 564	2 504	2 504	5 188	5 854	2 144
Provincial Government:	4 267	5 056	5 824	9 280	7 276	7 276	3 490	4 070	-
Sport and Recreation	4 267	4 882	5 824	9 280	7 276	7 276	3 490	4 070	-
GDARD: Environmental Planning & Impact Assessment	-	174	-	-	-	-	-	-	-
District Municipality:	2 652	2 908	3 085	3 085	3 200	3 200	3 200	-	-
HIV & AIDS	2 652	2 908	3 085	3 085	3 200	3 200	3 200	-	-
Total operating expenditure of Transfers and Grants:	250 762	272 822	298 894	345 334	343 362	343 362	387 583	419 535	454 963

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions, salary and wage increases, other input costs of services provided by the municipality,** Tariff setting takes place within the framework of the City's Tariff Policy. The Policy is premised on the following principles:

- Social: affordability of services, promotion of access to services, cross- subsidization of the poor where necessary and feasible, simple and easy to implement tariff structure.
- Economic: competitiveness of the City, in support of macroeconomic policies of the country, tariffs must positively influence microeconomic input costs facing firms.
- Financial: Cost- reflective tariffs linked to medium term financial framework.

The percentage of Rand Water bulk tariffs are beyond the mentioned inflation target. Given that this tariff increase is determined by external agency, the impact it have on the municipality's water and sanitation tariffs are largely outside the control of the municipalities.

The Eskom price increase of bulk electricity supplied to municipalities will increase by 6.84 per cent on 01st July 2018.

The National Energy Regulator (NERSA) is the regulatory authority over the energy sector in South Africa and its mandate includes the regulation of the electricity supply industry. In terms of section 4(ii) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA'), the Energy Regulator must regulate electricity prices and tariffs.

The Energy Regulator, on an annual basis, approves a percentage guideline increase and reviews the municipal tariff benchmarks. The guideline increase assists the municipalities in the preparation of their budgets whilst the revised benchmarks are used in the evaluation of the municipal tariff applications.

On 15 December 2017, the Energy Regulator granted Eskom an annual average increase of 6.84% leading to a bulk purchase increase of 7.32% for municipalities. The difference between Eskom and Municipalities Consultation Paper – Municipal Tariff Guideline, Benchmarks and proposed timelines for FY 2018/19 increase is due to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ('the MFMA') time lag (the municipalities' implementation date is 01 July whereas Eskom's financial year starts on 01 April).

When developing the percentage guideline increase for 2018/19, the following issues were considered:

- a) The 2015/161 D-form information was used to determine whether there would be changes to the municipality's cost structures.**
- b) A stratified random sampling amounting to 163 D-forms was done.**
- c) The chosen sample is useful in determining whether the weights of the cost drivers that have been developed need to be revised or maintained.**

In compliance with the provision of the Municipal Finance Management Act and the Bulk Water Supply Contract, Rand Water on the 23rd January 2018 notifies Mogale City that the potable water tariff propose increase effective from 01 July 2018 to 30 June 2019 will be 12.20 per cent. This proposal was presented to DWS by 25th January 2018, and submitted to national Parliament on or before 15th March 2018. All customers will receive the gazette tariff by 30th April 2018. In terms of the Water Research Act 34 of 1971, Rand Water must collect the Water Research Levy on behalf of the Water Research Commission (WRC). This is not part of Rand Water's tariff. Rand Water will inform all Municipalities in due course of the WRC tariff increase as soon as it is gazetted.

Free water to non-indigent customers

Water tariff for non-indigent residential consumers is increasing by 5.61% on average through introduction of R15 on the rising block tariff structure for the consumption between 0-6kl whilst the tariff for business consumers increases by 12.20% on the declining block tariff structure. The introduction of R15 on the tariff structure means that only indigent consumers will continue to receive 6kl free.

The proposed R15 on the tariff structure was meant to reduce the increase in the tariff in order to keep low-income customers within the affordability range for their water bill.

The current challenge facing Mogale City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.5.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Cooperative Governance. MFMA Budget Circular 89 & 91 for the 2018/19 MTREF encourages municipalities ***"to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality"***.

Some categories have been limited to rateable properties in line with MPRA Amendment section 8 (2) a-j. (Government Gazette no.37922: 18 August 2014).

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a **6 per cent** increase from 01st July 2018 is contained below:

Table 5 Proposed rates to be levied for the 2018/2019 financial year

Excluding VAT	APPROVED 2017/2018	PROPOSED 2018/2019	Increase	PRIMARY VALUATION REDUCTION	ADDITIONAL VALUATION REDUCTION	TARIFF REBATE	ADDITIONAL REBATE	
CATEGORY	R		6%	REBATE	REBATE			
	6%							
COMMERCIAL	0,02934	0,03111	6%					
RESIDENTIAL	0,01467	0,01555	6%	-15 000	-25 000	40%		
MUNICIPAL	0,02934	0,03111	6%				100% (Exempted)	
VACANT PROPERTIES	0,05869	0,06221	6%					
INDUSTRIAL	0,02934	0,03111	6%					
STATE OWNED PROPERTIES NON-RESIDENTIAL	0,02934	0,03111	6%					
STATE OWNED PROPERTIES RESIDENTIAL	0,01467	0,01555	6%	-15 000	-25 000	40%		
AGRICULTURAL - BUSINESS	0,02934	0,03111	6%					
AGRICULTURAL	0,00367	0,00389	6%					Ratio 1:25
AGRICULTURAL - RESIDENTIAL	0,01467	0,01555	6%	-15 000	-25 000	40%		
PUBLIC BENEFIT ORGANIZATION	0,00367	0,00389	6%					Ratio 1:25
INDIGENTS	0,01467	0,01555	6%	-15 000	-25 000	40%	100% (Exempted)	
PENSIONER REBATE. PROPERTY TAX	0,01467	0,01555	6%	-15 000	-25 000	40%		40%
PUBLIC SERVICE INFRASTRUCTURE (PSI)	0,00367	0,00389	6%					Ratio 1:25
PRIVATE OPEN SPACE	0,01494	0,01583	6%			75%		
SPECIAL USE	0,02688	0,02849	6%					
Consumers can comment and query tariffs via Mogale City Call Centre: 0861664253 (during working hours)/ (011) 010 1500 (after hours)								

1.5.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Mogale City is facing similar dilemma as any municipality in our Country. Due to prevailing draught it is more important to improve demand management, infrastructure maintenance, loss management, meter reading and tariff setting. The following have been taken into consideration when setting this tariffs for water:

- Water tariffs that are cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Municipalities must have an appropriate strategy to limit water losses to acceptable levels.

Water losses in 2016/2017 audited financial statements was 39.9 per cent or R87, 736,929, this includes 15 per cent of apparent losses. Infrastructure Department strategy must be implemented to curb these high water losses.

The reality is: Water loss interventions are not an overnight process whereby you are able to make a meaningful impact within the shortest period of time.

Better maintenance of infrastructure, new reservoirs construction, purchase of bulk water meters and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

Water tariff for non-indigent residential consumers is increasing by 5.61% on average through introduction of R15 on the rising block tariff structure for the consumption between 0-6kl whilst the tariff for business consumers increases by 12.20% on the declining block tariff structure. The introduction of R15 on the tariff structure means that only indigent consumers will continue to receive 6kl free.

The proposed R15 on the tariff structure was meant to reduce the increase in the tariff in order to keep low-income customers within the affordability range for their water bill.

An average tariff increase of 5.61 per cent for residential customers and 12.20 per cent for business & industrial from 1 July 2018 is therefore proposed.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

	R	R	0,0%
Residential Water Tariffs			
Approved Indigents (free 6kl)	-	-	0%
1-6 kl	-	R 15	100%
7-15 kl	R 19	R 19	5,61%
16-30 kl	R 24	R 24	5,61%
31-45 kl	R 28	R 28	5,61%
46-60kl	R 31	R 31	5,61%
61 kl + above	R 34	R 34	5,61%
Other consumers: Schools, NGO's and Hospitals Per kl (Excluding Private Schools & Private Hospitals)	R 22	R 22	5,61%
Business, industrial consumers , Private Schools & Private Hospitals			
0-500 kl	R 28	R 31	12,2%
500kl + above	R 21	R 24	12,2%

1.5.3 Sanitation and Impact of Tariff Increases

A tariff increase of 12.20 per cent for sanitation from 1st July 2018 is proposed. **It should be noted that electricity costs contributes approximately 6 per cent of waste water treatment input costs, therefore the higher than CPI increase of 12.20 per cent for sanitation tariffs and also taking into consideration the maintenance and replacement of old waste water plants.** The following factors also contribute to the proposed tariff increase:

- Free sanitation (100 per cent of 6 kℓ water) will be applicable to approved indigents; and
- The total revenue expected to be generated from rendering this service amounts to R155 million for the 2018/2019 financial year.

The following table compares the current and proposed tariffs:

Table 7 Proposed sanitation tariff charges

Category / Land Use (Irrespective of the quantity of water supplied to the premises)	CURRENT TARIFFS 2017/2018	PROPOSED TARIFFS 2018/2019	INCREASE
	R	R	%
Additional Sewerage fixed usage 30kl /month	221,22	248,20	12,2%
Basic Charges per m2	0,03130	0,03512	12,2%
Additional Sewerage for Rietvallei/Lusaka/Ga-Mogale	221,00	deleted all residential properties will be charged the same as additional sewerage tariff	0,0%
Business, School , NGO, Hospital Consumer, additional sewage prior year to date average kl usage/months	7	8	12,2%
Basic Sewerage Fixed usage 30kl/month : Vacant stan	4	5	12,2%

1.4.4 Sale of Electricity and Impact of Tariff Increases

On 15 December 2017, the Energy Regulator granted Eskom an annual average increase of 6.84% leading to a bulk purchase increase of 7.32% for municipalities. The difference between Eskom and Municipalities Consultation Paper – Municipal Tariff Guideline, Benchmarks and proposed timelines for FY 2018/19 increase is due to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ('the MFMA') time lag (the municipalities' implementation date is 01 July whereas Eskom's financial year starts on 01 April).

According to NERSA's timelines, the municipal tariff guideline and benchmarks will be approved in April 2018. NERSA acknowledges that this is contravention of MFMA, due to unforeseen circumstances. Hence municipalities are required to submit their tariff applications to NERSA as soon as possible upon receipt of the municipal tariff guideline letter.

Approved indigents will again be granted 50 kWh per month free of charge.

Table 8 Proposed Electricity Tariffs

PROPOSED ELECTRICITY TARIFFS: 2018/2019						2018-2019		
Excluding VAT						2017-18 NERSA APPROVED TARIFFS	2018-2019 MLCM PROPOSED TARIFFS	Mogale City % Increase/Decrease
Updated: 2018/03/15						1,88%	6,84%	
Excluding VAT						Mogale City Approved Tariffs Jul 2017	Mogale City Proposed Tariffs July 2018	2018/2019
						2017/2018	2018/2019	
ENVIRONMENTAL ELECTRICITY LEVY						R	R	%
1. Domestic - Single Consumers								
1.1. Pre-Paid								
1.1.1. Pre-Paid: Single Phase								
1.1.1.1. Energy (R/kWh)						1,58	1,55	-1,98%
1.1.1.2. Energy (R/kWh)						1,56	1,67	6,84%
1.1.1.3. Energy (R/kWh)						1,63	1,74	6,84%
Fixed Charge (R/A/CB rating)								
1.1.2. Pre-Paid: Three Phase								
1.1.2.1. Energy (R/kWh)						1,45	1,55	6,84%
1.1.2.2. Energy (R/kWh)						1,61	1,72	6,84%
1.1.2.3. Energy (R/kWh)						1,67	1,79	6,84%
Fixed Charge (R/A/CB rating)								
1.2. Life Line (Poor Households) (Conventional and Pre-Paid Metering)								
1.2.1. Energy (R/kWh)						1,03	1,10	6,84%
1.2.2. Energy (R/kWh)						1,14	1,22	6,84%
1.2.3. Energy (R/kWh)						1,38	1,47	6,84%
1.2.4. Energy (R/kWh)						1,63	1,74	6,84%
Fixed Charge (R/A/CB rating)								
1.3. Two-Part								
1.3.1. Energy (R/kWh)						1,10	1,18	6,84%
1.3.2. Fixed Charge (R/A/CB rating) (60A)						4,83	5,16	6,84%
1.4. Two-Part: Time-of-Use								
Energy (R/kWh):								
1.4.1. During Eskom PEAK Times						2,82	3,01	6,84%
1.4.2. During Eskom STANDARD Times						1,31	1,40	6,84%
1.4.3. During Eskom OFF-PEAK Times						0,87	0,93	6,84%
1.4.4. Fixed Charge (R/A/CB rating)						4,81	5,14	6,84%
1.5. FREE Basic Electricity								
1.6. Fixed Charge							0,00	
2. Domestic - Bulk Consumers Low Voltage								
2.1. Three-Part								
2.1.1. Energy (R/kWh)						0,85	0,91	6,84%
2.1.2. Fixed Charge (Rand/Month)						536,36	573,05	6,84%
2.1.3. Demand Charge (R/kVA)						99,18	105,96	6,84%
2.1.4. Reactive Energy Charge (R/kvarh)						0,20	0,21	6,84%
2.2. Time-of-Use:								
2.2.1. Energy Charge (R/kWh)								
Peak						3,94	4,21	6,84%
Standard						1,10	1,18	6,84%
Off-Peak						0,67	0,72	6,84%
2.2.2. Fixed Charge (Rand/Month)						0,55	0,58	6,84%
2.2.3. Demand Charge (R/kVA)						0,47	0,50	6,84%
2.2.4. Reactive Energy Charge (R/kvarh)						536,37	573,06	6,84%
3. Domestic - Bulk Consumers High Voltage								
3.1. Three-Part								
3.1.1. Energy (R/kWh)						0,71	0,76	6,84%
3.1.2. Fixed Charge (Rand/Month)						4 925,53	5 262,44	6,84%
3.1.3. Demand Charge (R/kVA)						70,77	75,61	6,84%
3.1.4. Reactive Energy Charge (R/kvarh)						0,20	0,21	6,84%
3.2. Time-of-Use								
3.2.1. Energy Charge (R/kWh)								
Peak						4,21	4,50	6,84%
Standard						1,18	1,26	6,84%
Off-Peak						0,72	0,77	6,84%
3.2.2. Fixed Charge (Rand/Month)						0,58	0,62	6,84%
3.2.3. Demand Charge (R/kVA)						0,58	0,62	6,84%
3.2.4. Reactive Energy Charge (R/kvarh)						5 913,40	6 317,88	6,84%
4. Commercial and Industrial - Small Consumers								
4.1. Two-Part								
4.1.1. Energy (R/kWh)						1,46	1,56	6,84%
4.1.2. Fixed Charge (R/A/CB rating)						5,93	6,34	6,84%
4.2. Two-Part: Time-of-Use								
4.2.1. Energy (R/kWh):								
4.2.1.1. During Eskom PEAK Times						2,96	3,16	6,84%
4.2.1.2. During Eskom STANDARD Times						1,39	1,49	6,84%
4.2.1.3. During Eskom OFF-PEAK Times						0,91	0,98	6,84%
4.2.2. Fixed Charge (R/A/CB rating)						5,93	6,34	6,84%
4.3. Pre-Paid								
4.3.1. Pre-Paid: Single Phase								
4.3.1.1. Energy (R/kWh)						1,53	1,63	6,84%
4.3.1.2. Fixed Charge (R/A/CB rating)								
4.3.2. Pre-Paid: Three Phase								
4.3.2.1. Energy (R/kWh)						1,91	2,04	6,84%
4.3.2.2. Fixed Charge (R/A/CB rating)								
5. Commercial & Industrial - Bulk Consumers Low Voltage								
5.1. Three-Part								
5.1.1. Energy (R/kWh)						0,86	0,92	6,84%
5.1.2. Fixed Charge (Rand/Month)						536,36	573,05	6,84%
5.1.3. Demand Charge (R/kVA)						101,89	108,86	6,84%
5.1.4. Reactive Energy Charge (R/kvarh)						0,20	0,21	6,84%

1.5.3 Refuse Removal and Impact of Tariff Increase

A tariff increase of 6 per cent for sanitation from 1st July 2018 is proposed.

The following table compares current and proposed amounts payable from 1st July 2018:

Table 9 Proposed refuse removal

CATEGORY	Current 2017/2018	Proposed 2018/2019	INCREASE
MOBILE REFUSE CONTAINERS 240L BINS	Per month ®		
Domestic Refuse:One removal per week per 240l container per month or part thereof	146	154	6%
Domestic Refuse:Daily Removal per 240L cotainer per month or part thereof	873	926	6%
Business Refuse: One removal per week per 240l container per month or part threof	340	360	6%
Business Refuse:Daily removal per 240l container per month or part thereof	1 358	1 440	6%
Handling /Delivery Fees per container to be delivered	97	103	6%
Replacement of lost/damaged container (payable in advance if fault of user)	873	500	-43%
BUSINESS WASTE REMOVALS			
Waste License Administration Fees	2 082	2 207	6%
Late Annual Waste Transporters' Licence Renewal Fees	4 164	4 414	6%

1.6 Operating Expenditure Framework

The following table is a high level summary of the 2018/2019 budget and MTREF (classified per main type of operating expenditure):

Table 10 Summary of operating expenditure by functional classification item

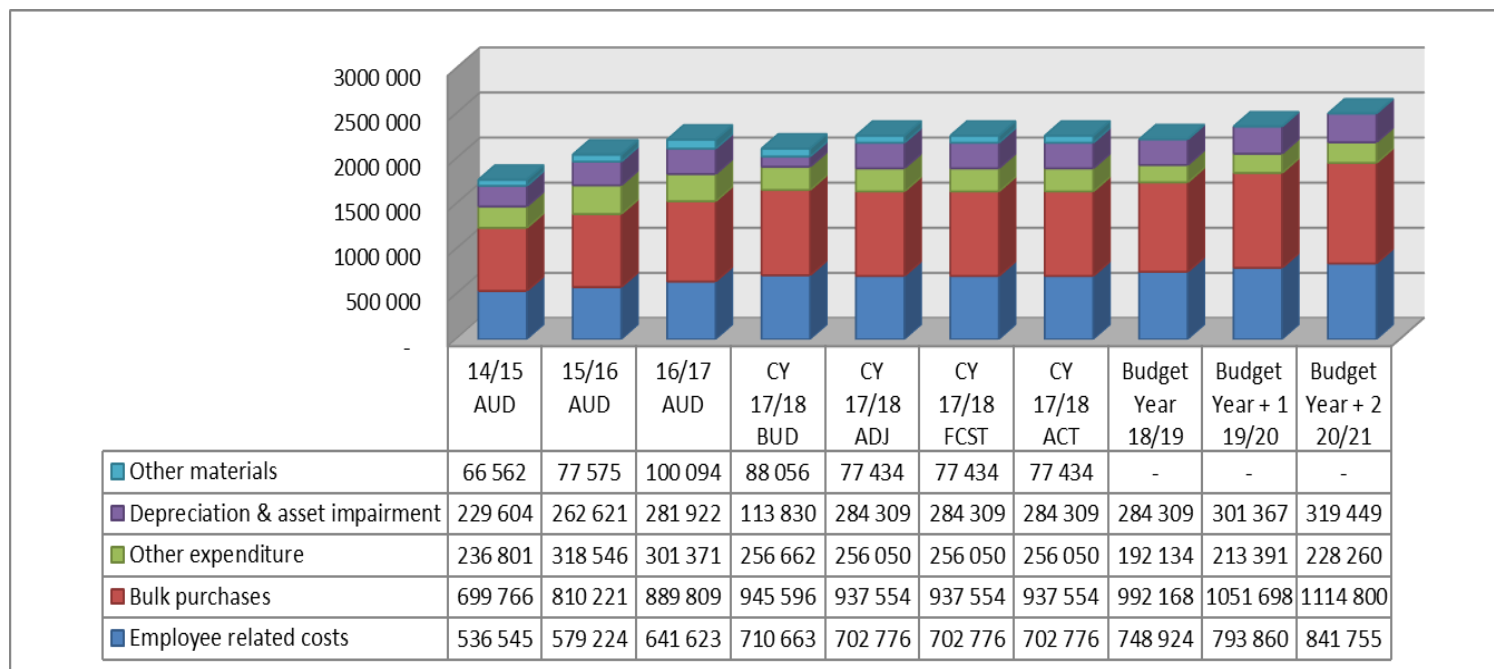
Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Expenditure By Type										
Employee related costs	536 545	579 224	641 623	710 663	702 776	702 776	702 776	748 924	793 860	841 755
Remuneration of councillors	25 254	26 690	29 169	37 062	34 633	34 633	34 633	36 711	38 913	41 248
Debt impairment	228 042	186 321	152 071	92 474	92 474	92 474	92 474	92 474	98 023	103 904
Depreciation & asset impairment	229 604	262 621	281 922	113 830	284 309	284 309	284 309	284 309	301 367	319 449
Finance charges	43 110	39 232	55 853	48 467	42 055	42 055	42 055	41 734	38 822	35 032
Bulk purchases	699 766	810 221	889 809	945 596	937 554	937 554	937 554	992 168	1 051 698	1 114 800
Contracted services	195 885	243 922	217 780	171 007	213 024	213 024	213 024	344 591	365 267	387 183
Transfers and grants	43 097	68 517	59 387	56 072	56 072	56 072	56 072	-	-	-
Other expenditure	236 801	318 546	301 371	256 662	256 050	256 050	256 050	192 134	213 391	228 260
Repairs & maintenance	66 562	77 575	100 094	88 056	77 434	77 434	77 434	-	-	-
Total Expenditure	2 304 666	2 612 869	2 729 079	2 519 890	2 696 381	2 696 381	2 696 381	2 733 045	2 901 341	3 071 631

- The budgeted allocation for employee related costs for the 2018/19 financial year total R748, 924,083 which equals 27 per cent of the total operating expenditure. Employee related cost overall will increase by 6.6% based on average inflation rate of 5.10% plus 1.5% of notch increases. The process of negotiations between labour and SALGA is still under consultation.
- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Gazette Notice1440 of 15 December 2017) in this regard has been taken into account in compiling the City's budget and increase of 6 per cent was factored in taking into consideration.
- The provision of debt impairment was determined based on an annual collection rate of 96 per cent. For the 2018/19 financial year this amount equates to R92, 474, 14. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R284, 308,538 for the 2018/19 financial and equates to 11 per cent of the total operating expenditure.
- Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2 per cent or R41, 733,965 of operating expenditure excluding annual capital redemption.
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. **The expenditures exclude distribution losses.**

- All costs for repairs and maintenance as per mSCOA requirements is now classified under contracted services we have 3 types of maintenance streams namely: Buildings, Plant & Equipment and General.
- Contracted services is now R344, 591,231 or 13 per cent of total operating budget for 2018/19 financial year.
- All other old line items are classified as either operational costs or inventory items totalling R192, 134 million.

The following table gives a breakdown of the main expenditure categories for the 2018/19 financial year.

Figure 7 Expenditure by major type for the 2018/2019 financial year



1.6.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Management Policy. The target is to register 20 000 or more indigents households during the 2018/19 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 47.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.7 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 11 2018/2019 Medium-term capital budget per functional classification

	Adjusted Budget	Percentage	2018/19 Budget Year	Percentage	2019/20 Budget Year	Percentage	2020/21 Budget Year	Percentage
Capital Expenditure - Standard								
Executive and council	52	0%	-	0%	-	0%	-	0%
Finance and administration	22 435	6%	-	0%	11 311	3%	1000	0%
Internal audit	-	0%	-	0%	174	0%	-	0%
Community and social services	27 581	8%	19 043	7%	40 335	11%	26 224	7%
Sport and recreation	13 967	4%	6 752	2%	6 260	2%	18 123	5%
Public safety	-	0%	-	0%	-	0%	0	0%
Housing	62 756	17%	88 000	31%	-	0%	0	0%
Planning and development	67 336	18%	19 357	7%	44 635	12%	80 000	20%
Road transport	21 130	6%	58 455	21%	58 679	16%	63 654	16%
Environmental protection	-	0%	-	0%	60	0%	0	0%
Energy sources	30 517	8%	8 000	3%	112 730	30%	70 960	18%
Water management	41 804	11%	34 385	12%	50 000	14%	43 451	11%
Waste water management	77 462	21%	20 700	7%	15 900	4%	69 924	18%
Waste management	-	0%	26 476	9%	30 000	8%	24 000	6%
Other	-	0%	-	0%	-	0%	0	0%
Total Capital Expenditure	365 040		281 169		370 084		397 337	

Furthermore page to contain a detail breakdown of the capital budget per project over the medium-term.

1.8 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2018/2019 budget and MTREF as tabled in Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 12 MBRR Table A1 - Budget Summary

GT481 Mogale City - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
Financial Performance										
Property rates	394 495	438 294	468 862	505 638	510 694	510 694	510 694	541 336	573 816	608 245
Service charges	1 223 249	1 385 469	1 454 866	1 411 034	1 467 534	1 467 534	1 467 534	1 570 843	1 665 094	1 764 999
Investment revenue	22 291	15 347	13 647	5 957	7 033	7 033	7 033	7 455	7 902	8 377
Transfers recognised - operational	250 762	272 822	298 894	345 334	343 362	343 362	343 362	387 583	419 535	454 963
Other own revenue	269 061	333 102	206 090	352 206	370 867	370 867	370 867	248 265	235 961	244 119
Total Revenue (excluding capital transfers and contributions)	2 159 857	2 445 034	2 442 358	2 620 168	2 699 491	2 699 491	2 699 491	2 755 482	2 902 308	3 080 702
Employee costs	536 545	579 224	641 623	710 663	708 410	708 410	708 410	761 078	806 992	855 411
Remuneration of councillors	25 254	26 690	29 169	37 062	34 633	34 633	34 633	36 711	38 914	—
Depreciation & asset impairment	229 604	262 621	281 922	113 830	284 309	284 309	284 309	284 309	301 367	319 449
Finance charges	43 110	39 232	55 853	48 467	42 055	42 055	42 055	41 734	38 822	25 109
Materials and bulk purchases	766 328	810 221	989 903	1 033 652	1 014 988	1 014 988	1 014 988	1 015 930	1 076 885	1 141 499
Transfers and grants	43 097	68 517	59 387	56 072	56 072	56 072	56 072	5 021	5 322	5 641
Other expenditure	660 728	826 364	671 222	520 143	555 914	555 914	555 914	588 264	633 039	724 522
Total Expenditure	2 304 667	2 612 869	2 729 079	2 519 890	2 696 381	2 696 381	2 696 381	2 733 045	2 901 341	3 071 631
Surplus/(Deficit)	(144 809)	(167 834)	(286 721)	100 278	3 110	3 110	3 110	22 437	967	9 071
Transfers and subsidies - capital (monetary allocation)	99 243	152 344	142 482	193 600	229 184	229 184	229 184	258 732	191 857	231 707
Contributions recognised - capital & contributed assets	—	—	—	—	46 890	46 890	46 890	—	—	—
Surplus/(Deficit) after capital transfers & contributions	(45 566)	(15 490)	(144 239)	293 878	279 184	279 184	279 184	281 169	192 824	240 778
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year	(45 566)	(15 490)	(144 239)	293 878	279 184	279 184	279 184	281 169	192 824	240 778
Capital expenditure & funds sources										
Capital expenditure	398 868	470 690	245 589	293 878	365 040	365 040	365 040	281 169	370 084	397 337
Transfers recognised - capital	99 243	158 584	142 482	193 600	229 184	229 184	229 184	258 732	191 857	231 707
Public contributions & donations	1 500	64 989	18 768	20 000	46 890	46 890	46 890	—	—	—
Borrowing	174 075	63 047	2 880	—	—	—	—	—	—	—
Internally generated funds	124 050	184 070	81 459	80 278	88 966	88 966	88 966	22 437	178 227	165 630
Total sources of capital funds	398 868	470 690	245 589	293 878	365 040	365 040	365 040	281 169	370 084	397 337
Financial position										
Total current assets	612 461	521 772	556 585	719 289	597 747	597 747	597 747	808 414	908 609	1 052 426
Total non current assets	5 978 534	6 144 455	6 039 783	6 133 424	6 120 530	6 120 530	6 120 530	5 769 835	5 828 352	5 906 239
Total current liabilities	714 043	836 292	1 027 151	856 436	906 436	906 436	906 436	908 993	932 366	949 681
Total non current liabilities	750 578	746 315	626 396	603 509	603 509	603 509	603 509	538 835	509 422	477 063
Community wealth/Equity	5 126 375	5 083 620	4 942 820	5 392 767	5 208 333	5 208 333	5 208 333	5 130 421	5 295 173	5 531 922
Cash flows										
Net cash from (used) operating	251 293	369 197	299 259	501 131	430 422	430 422	—	533 023	489 294	566 482
Net cash from (used) investing	(398 868)	(470 649)	(245 188)	(273 878)	(344 040)	(344 040)	—	(261 169)	(370 084)	(397 337)
Net cash from (used) financing	216 768	2 846	(76 613)	(106 223)	(34 787)	(34 787)	—	(34 666)	(34 809)	(36 173)
Cash/cash equivalents at the year end	165 897	67 292	44 749	188 322	96 345	96 345	—	281 941	366 343	499 315
Cash backing/surplus reconciliation										
Cash and investments available	227 504	137 585	125 056	301 942	96 345	96 345	96 345	281 941	366 343	499 315
Application of cash and investments	334 410	336 943	485 955	275 361	62 842	62 842	607 328	157 594	161 123	163 186
Balance - surplus (shortfall)	(106 906)	(199 357)	(360 899)	26 581	33 503	33 503	(510 982)	124 347	205 220	336 128
Asset management										
Asset register summary (WDV)	5 916 927	6 074 162	6 039 150	6 049 369	5 769 315	5 769 315	—	5 769 469	5 838 186	5 916 073
Depreciation	229 643	237 046	281 919	113 830	284 309	284 309	—	284 309	301 367	319 449
Renewal of Existing Assets	143 581	123 271	62 403	13 472	3 472	3 472	—	—	4 789	5 077
Repairs and Maintenance	66 562	77 575	100 058	88 056	77 434	77 434	—	124 580	132 055	139 978
Free services										
Cost of Free Basic Services provided	—	—	—	—	1 254	1 254	1 330	1 330	1 410	1 494
Revenue cost of free services provided	208 711	—	—	257 201	259 773	259 773	—	—	—	—
Households below minimum service level										
Water:	—	—	—	8	8	8	8	8	9	9
Sanitation/sewerage:	—	—	—	5	5	5	5	5	5	6
Energy:	—	—	—	10	10	10	10	10	11	12
Refuse:	—	—	—	21	21	21	22	22	23	25

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget if borrowing is used to fund capital projects.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. .
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 13 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**GT481 Mogale City - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)**

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1									
Revenue - Functional										
Governance and administration		567 390	573 849	644 256	700 767	785 249	785 249	804 579	827 402	873 100
Executive and council		738	2 284	288	1	1	1	34	36	38
Finance and administration		565 747	571 561	643 968	700 766	785 248	785 248	804 545	827 366	873 062
Internal audit		905	4	-	-	-	-	-	-	-
Community and public safety		105 142	111 942	158 886	194 503	231 196	231 196	234 280	162 666	164 506
Community and social services		15 796	17 607	23 997	57 600	73 075	73 075	17 972	13 200	2 905
Sport and recreation		15 993	12 149	17 505	11 436	11 920	11 920	8 454	5 268	16 857
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	4	19 403	15 269	35 866	35 866	88 000	-	-
Health		73 353	82 182	97 981	110 198	110 335	110 335	119 854	144 197	144 743
Economic and environmental services		182 725	317 199	88 192	191 326	161 177	161 177	108 761	113 313	145 671
Planning and development		19 224	122 677	29 445	124 348	121 846	121 846	28 667	34 859	61 776
Road transport		162 937	194 508	58 747	66 978	39 331	39 331	80 094	78 454	83 895
Environmental protection		564	14	-	-	-	-	-	-	-
Trading services		1 403 749	1 594 286	1 693 364	1 699 268	1 769 356	1 769 356	1 866 436	1 990 616	2 128 954
Energy sources		821 993	881 420	911 606	943 754	955 406	955 406	1 025 299	1 090 472	1 161 480
Water management		238 942	341 767	360 597	317 751	339 220	339 220	345 133	380 260	394 537
Waste water management		175 874	189 002	231 737	248 192	252 448	252 448	-	-	-
Waste management		166 940	182 097	189 423	189 572	222 282	222 282	496 004	519 884	572 938
Other	4	94	102	148	27 904	28 587	28 587	158	168	178
Total Revenue - Functional	2	2 259 100	2 597 378	2 584 846	2 813 768	2 975 565	2 975 565	3 014 214	3 094 165	3 312 409
Expenditure - Functional										
Governance and administration		605 170	664 027	676 310	662 557	692 343	692 343	636 181	676 410	659 704
Executive and council		76 843	89 024	74 652	99 618	95 342	95 342	78 966	83 704	47 478
Finance and administration		521 067	566 395	591 134	551 824	585 464	585 464	545 116	579 632	598 368
Internal audit		7 261	8 608	10 525	11 115	11 536	11 536	12 099	13 074	13 858
Community and public safety		149 909	159 069	164 461	166 197	169 901	169 901	172 530	182 882	193 855
Community and social services		29 178	32 644	35 910	45 177	39 183	39 183	40 928	43 384	45 987
Sport and recreation		93 963	98 095	98 407	90 489	102 042	102 042	94 232	99 886	105 879
Public safety		-	-	-	-	-	-	-	-	-
Housing		8 254	9 154	7 546	5 620	4 772	4 772	10 160	10 770	11 416
Health		18 513	19 177	22 598	24 911	23 904	23 904	27 209	28 842	30 572
Economic and environmental services		398 963	439 582	328 100	268 179	347 484	347 484	345 855	368 861	444 493
Planning and development		37 480	63 628	41 276	47 733	66 275	66 275	43 435	46 041	48 803
Road transport		354 486	367 559	279 788	213 707	273 918	273 918	292 252	312 042	384 264
Environmental protection		6 998	8 396	7 036	6 739	7 291	7 291	10 169	10 779	11 426
Trading services		1 147 729	1 347 559	1 556 659	1 397 991	1 462 653	1 462 653	1 570 062	1 664 266	1 764 122
Energy sources		627 631	707 341	754 493	836 756	869 537	869 537	914 363	969 225	1 027 379
Water management		293 647	394 376	477 155	346 847	387 640	387 640	433 667	459 687	487 268
Waste water management		87 508	99 723	90 741	112 388	96 904	96 904	134 492	142 562	151 116
Waste management		138 942	146 120	234 271	102 000	108 571	108 571	87 540	92 792	98 360
Other	4	2 895	2 631	3 553	24 966	24 000	24 000	8 416	8 921	9 457
Total Expenditure - Functional	3	2 304 666	2 612 869	2 729 084	2 519 890	2 696 381	2 696 381	2 733 045	2 901 341	3 071 631
Surplus/(Deficit) for the year		(45 566)	(15 490)	(144 239)	293 878	279 184	279 184	281 169	192 824	240 778

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the total revenue on this table includes capital revenues (transfers recognised – capital) and therefore does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

Table 14 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**GT481 Mogale City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand										
Revenue by Vote	1									
Vote 1 - MUNICIPAL COUNCIL		641	2 275	287	–	–	–	33	35	37
Vote 2 - MUNICIPAL MANAGERS OFFICE		5	–	–	–	–	–	5 915	5 854	2 144
Vote 3 - INTERNAL AUDIT		905	4	–	–	–	–	–	–	–
Vote 4 - STRATEGIC MANAGEMENT SERVICES		2 085	2 320	3 002	25 816	35 018	35 018	706	749	794
Vote 5 - CORPORATE SUPPORT SERVICES		6 993	4 149	3 224	7 923	11 480	11 480	4 089	4 335	4 595
Vote 6 - FINANCIAL MANAGEMENT SERVICES		556 465	564 799	637 428	643 406	713 838	713 838	777 415	819 808	865 050
Vote 7 - INTEGRATED ENVIRONMENTAL MANAGEMENT SERVICES		184 565	194 963	205 628	248 286	277 793	277 793	280 479	297 013	306 215
Vote 8 - COMMUNITY DEVELOPMENT SERVICES		218 960	261 203	159 280	205 728	182 482	182 482	170 335	194 240	203 274
Vote 9 - ECONOMIC DEVELOPMENT SERVICES		17 862	121 058	47 257	143 409	176 859	176 859	133 246	31 648	62 434
Vote 10 - UTILITIES MANAGEMENT SERVICES		1 236 679	1 412 170	1 503 940	1 509 696	1 547 074	1 547 074	1 598 931	1 701 280	1 825 577
Vote 11 - PUBLIC WORKS, ROADS & TRANSPORT		33 941	34 437	24 793	29 504	31 020	31 020	43 064	39 203	42 289
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	2 259 100	2 597 378	2 584 840	2 813 768	2 975 565	2 975 565	3 014 214	3 094 165	3 312 409
Expenditure by Vote to be appropriated	1									
Vote 1 - MUNICIPAL COUNCIL		61 989	70 056	59 828	70 137	60 268	60 268	58 164	61 654	24 105
Vote 2 - MUNICIPAL MANAGERS OFFICE		7 583	11 027	6 361	22 289	24 416	24 416	8 874	9 407	9 971
Vote 3 - INTERNAL AUDIT		7 261	8 608	10 525	11 115	11 536	11 536	12 099	13 074	13 858
Vote 4 - STRATEGIC MANAGEMENT SERVICES		26 598	28 176	30 490	30 423	52 265	52 265	32 333	34 272	36 329
Vote 5 - CORPORATE SUPPORT SERVICES		134 191	152 087	160 586	147 851	150 413	150 413	183 988	195 028	206 729
Vote 6 - FINANCIAL MANAGEMENT SERVICES		324 542	338 795	303 947	302 287	283 980	283 980	232 246	240 765	239 168
Vote 7 - INTEGRATED ENVIRONMENTAL MANAGEMENT SERVICES		200 589	209 584	294 427	177 137	173 595	173 595	151 535	160 627	170 265
Vote 8 - COMMUNITY DEVELOPMENT SERVICES		322 743	377 224	302 758	268 762	306 164	306 164	320 818	342 322	416 362
Vote 9 - ECONOMIC DEVELOPMENT SERVICES		41 004	72 163	42 111	46 329	42 579	42 579	45 695	48 437	51 343
Vote 10 - UTILITIES MANAGEMENT SERVICES		1 005 101	1 197 391	1 318 051	1 290 212	1 349 111	1 349 111	1 477 414	1 566 059	1 660 022
Vote 11 - PUBLIC WORKS, ROADS & TRANSPORT		173 066	147 758	199 995	153 349	242 053	242 053	209 879	229 696	243 478
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	2 304 666	2 612 869	2 729 079	2 519 890	2 696 381	2 696 381	2 733 045	2 901 341	3 071 631
Surplus/(Deficit) for the year	2	(45 566)	(15 490)	(144 239)	293 878	279 184	279 184	281 169	192 824	240 778

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Mogale City. This means it is possible to present the operating surplus or deficit of a vote.
2. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 15 Surplus/ (Deficit) calculations for the trading services

Functional Classification Description	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Electricity:									
Total Revenue (incl capital grants and transfers)	821 993	881 420	911 606	943 754	955 406	955 406	1 025 299	1 090 472	1 161 480
Operating Expenditure	627 631	707 341	754 493	836 756	869 537	869 537	914 363	969 225	1 027 379
Surplus/(Deficit) for the year	194 362	174 079	157 113	106 998	85 869	85 869	110 936	121 247	134 101
Percentage Surplus	24%	20%	17%	11%	9%	9%	11%	11%	12%
Water:									
Total Revenue(including capital grants & transfers)	238 942	341 767	360 597	317 751	339 220	339 220	345 133	380 260	394 537
Operating Expenditure	293 647	394 376	477 155	346 847	387 640	387 640	433 667	459 687	487 268
Surplus/(deficit) for the year	-54 705	-52 609	-116 558	-29 096	-48 420	-48 420	-88 534	-79 427	-92 731
Percentage Surplus	-23%	-15%	-32%	-9%	-14%	-14%	-26%	-21%	-24%

3. The electricity trading surplus is declining from 2014/15 over the 2018/19 MTREF from 24 per cent to 11 per cent in 2017/18 financial year. This is primarily as a result of the high increases in Eskom bulk purchases. The surplus is decreasing over seven years.
4. Water has experienced a deficit from 2014/15 of about 23 per cent and increases to 26 per cent during 2018/19. The deficit is increasing drastically mainly to huge water losses or revenue foregone due various reasons.
5. Note that the surpluses on electricity is utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

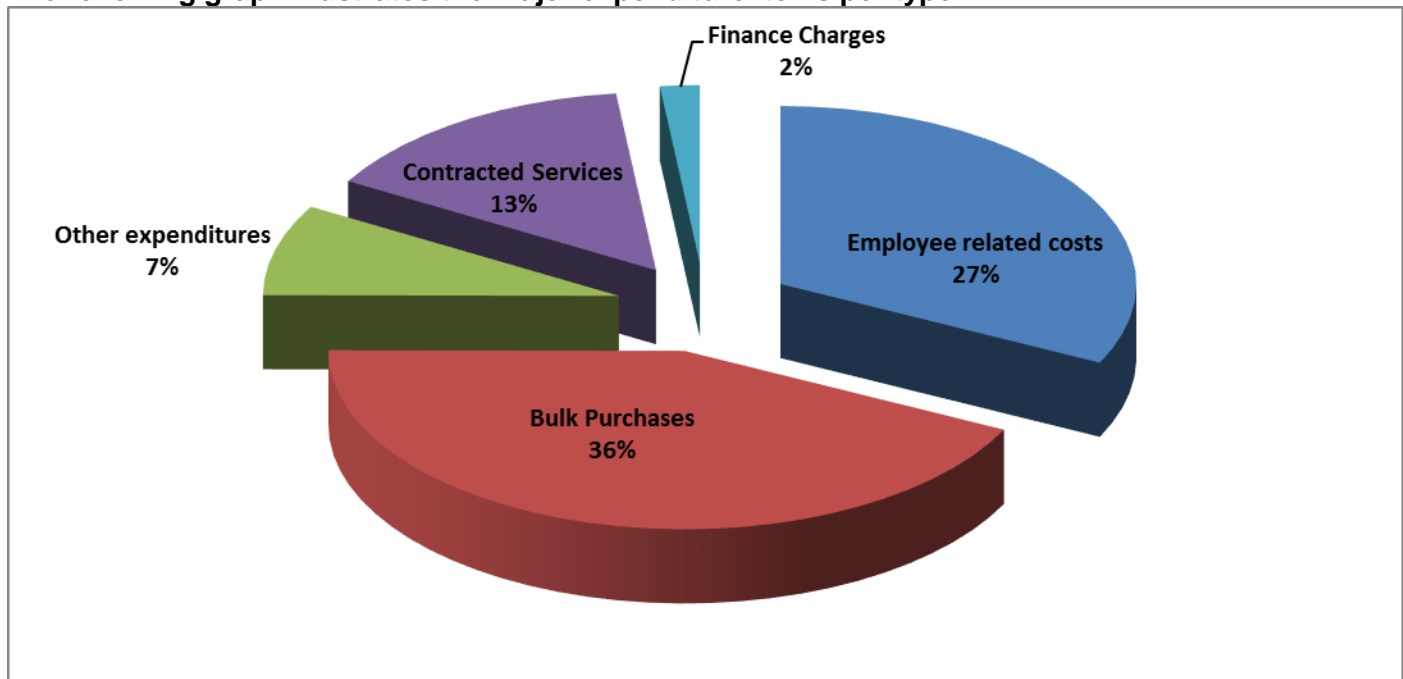
Table 16 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**GT481 Mogale City - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	394 495	438 294	468 862	505 638	510 694	510 694	510 694	541 336	573 816	608 245
Service charges - electricity revenue	2	775 093	834 569	862 150	878 587	887 373	887 373	887 373	948 069	1 004 953	1 065 250
Service charges - water revenue	2	216 571	302 196	313 182	252 058	265 601	265 601	265 601	280 501	297 331	315 171
Service charges - sanitation revenue	2	127 544	136 170	160 152	136 758	138 125	138 125	138 125	154 977	164 275	174 132
Service charges - refuse revenue	2	104 034	112 534	119 381	111 400	143 882	143 882	143 882	152 515	161 666	171 366
Service charges - other		7	–	–	32 231	32 553	32 553	32 553	34 781	36 868	39 080
Rental of facilities and equipment		3 366	3 316	3 398	3 497	5 546	5 546	5 546	6 256	6 632	7 030
Interest earned - external investments		22 291	15 347	13 647	5 957	7 033	7 033	7 033	7 455	7 902	8 377
Interest earned - outstanding debtors		17 286	17 036	30 538	34 436	37 918	37 918	37 918	39 705	42 087	44 612
Dividends received		–	20	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		107 415	135 658	8 520	35 529	3 529	3 529	3 529	9 032	9 573	10 148
Licences and permits		19	28	33	23	23	23	23	35	37	40
Agency services		22 184	24 961	25 428	26 041	26 041	26 041	26 041	27 082	28 707	30 430
Transfers and subsidies		250 762	272 822	298 894	345 334	343 362	343 362	343 362	387 583	419 535	454 963
Other revenue	2	118 790	152 083	138 172	232 680	276 810	276 810	276 810	146 155	148 924	151 860
Gains on disposal of PPE		–	–	–	20 000	21 000	21 000	21 000	20 000	–	–
Total Revenue (excluding capital transfers and contributions)		2 159 857	2 445 034	2 442 358	2 620 168	2 699 491	2 699 491	2 699 491	2 755 482	2 902 308	3 080 702
Expenditure By Type											
Employee related costs	2	536 545	579 224	641 623	710 663	708 410	708 410	708 410	761 078	806 992	855 411
Remuneration of councillors		25 254	26 690	29 169	37 062	34 633	34 633	34 633	36 711	38 914	–
Debt impairment	3	228 042	186 321	152 071	92 474	92 474	92 474	92 474	92 474	98 023	103 904
Depreciation & asset impairment	2	229 604	262 621	281 922	113 830	284 309	284 309	284 309	284 309	301 367	319 449
Finance charges		43 110	39 232	55 853	48 467	42 055	42 055	42 055	41 734	38 822	25 109
Bulk purchases	2	699 766	732 646	889 809	945 596	937 554	937 554	937 554	992 168	1 051 698	1 114 800
Other materials	8	66 562	77 575	100 094	88 056	77 434	77 434	77 434	23 761	25 187	26 698
Contracted services		195 885	243 922	217 780	169 907	207 390	207 390	207 390	344 749	374 913	450 908
Transfers and subsidies		43 097	68 517	59 387	56 072	56 072	56 072	56 072	5 021	5 322	5 641
Other expenditure	4, 5	236 801	396 121	301 371	257 762	256 050	256 050	256 050	151 041	160 103	169 710
Loss on disposal of PPE											
Total Expenditure		2 304 667	2 612 869	2 729 079	2 519 890	2 696 381	2 696 381	2 696 381	2 733 045	2 901 341	3 071 631
Surplus/(Deficit)		(144 809)	(167 834)	(286 721)	100 278	3 110	3 110	3 110	22 437	967	9 071
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)	6	99 243	152 344	142 482	193 600	229 184	229 184	229 184	258 732	191 857	231 707
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	46 890	46 890	46 890	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(45 566)	(15 490)	(144 239)	293 878	279 184	279 184	279 184	281 169	192 824	240 778
Taxation											
Surplus/(Deficit) after taxation		(45 566)	(15 490)	(144 239)	293 878	279 184	279 184	279 184	281 169	192 824	240 778
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(45 566)	(15 490)	(144 239)	293 878	279 184	279 184	279 184	281 169	192 824	240 778
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(45 566)	(15 490)	(144 239)	293 878	279 184	279 184	279 184	281 169	192 824	240 778

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue excluding capital transfers is R2.8 billion in 2018/19 and escalates to R3 billion by 2020/21.
2. Revenue to be generated from property rates is R541, 335 million during 2018/19 financial year and increases to R608, 245 million by 2020/21 which represents 20 per cent of the operating revenue base of the City and therefore remains a significant funding source for the municipality.
3. **Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R1.5 billion for the 2018/19 financial year and increasing to R1. 8 billion by 2020/21.**
4. **Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government.**

The following graph illustrates the major expenditure items per type.



5. Bulk purchases have significantly increased from 2014/15 to 2020/21 period escalating from R699, 766 million to R1 billion million an **increase of 59 per cent** by Eskom and Rand Water over seven years.
6. Employee related costs, bulk purchases, other expenditures and contracted services are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

7. The following graph illustrates the major expenditure items per type (over seven years).

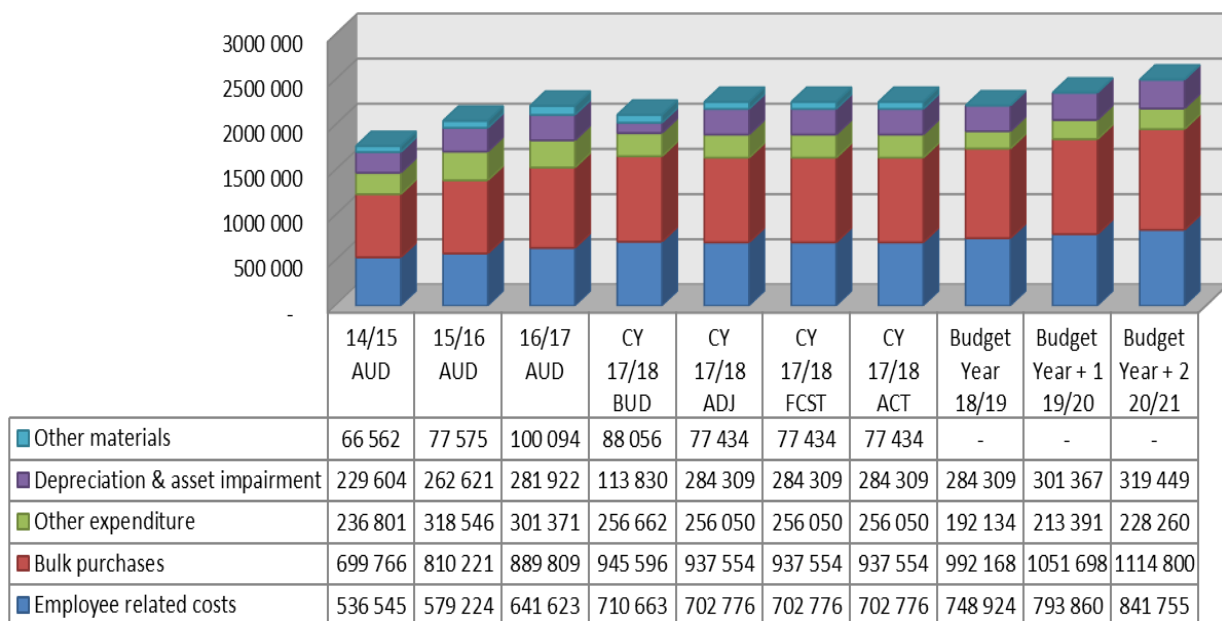


Table 17 MBRR Table A5 - Budgeted Capital Expenditure by vote, functional classification and funding source**GT481 Mogale City - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding**

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - MUNICIPAL COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGERS OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 3 - INTERNAL AUDIT		-	-	-	-	-	-	-	-	-	-
Vote 4 - STRATEGIC MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - CORPORATE SUPPORT SERVICES		-	-	-	-	-	-	-	1 000	1 000	-
Vote 6 - FINANCIAL MANAGEMENT SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 7 - INTEGRATED ENVIRONMENTAL MANAGE		34 561	24 692	10 333	17 785	15 427	15 427	15 427	35 476	35 260	25 550
Vote 8 - COMMUNITY DEVELOPMENT SERVICES		10 379	7 184	21 462	8 814	16 304	16 304	16 304	12 128	40 135	31 197
Vote 9 - ECONOMIC DEVELOPMENT SERVICES		12 553	91 387	11 233	36 269	60 211	60 211	60 211	-	44 635	80 000
Vote 10 - UTILITIES MANAGEMENT SERVICES		153 446	165 174	87 976	108 324	109 912	109 912	109 912	26 385	111 615	145 835
Vote 11 - PUBLIC WORKS, ROADS & TRANSPORT		62 915	55 730	15 872	20 948	20 630	20 630	20 630	31 455	58 179	62 654
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	273 854	344 166	146 876	192 140	222 485	222 485	222 485	105 443	290 823	346 237
Single-year expenditure to be appropriated	2										
Vote 1 - MUNICIPAL COUNCIL		357	347	15	-	2	2	2	-	-	-
Vote 2 - MUNICIPAL MANAGERS OFFICE		4	93	-	-	30	30	30	-	-	-
Vote 3 - INTERNAL AUDIT		916	-	-	-	-	-	-	-	174	-
Vote 4 - STRATEGIC MANAGEMENT SERVICES		182	-	-	500	520	520	520	-	-	-
Vote 5 - CORPORATE SUPPORT SERVICES		23 900	3 674	3 513	3 000	10 987	10 987	10 987	-	5 311	-
Vote 6 - FINANCIAL MANAGEMENT SERVICES		23 587	34 739	2 060	2 000	7 448	7 448	7 448	-	5 000	-
Vote 7 - INTEGRATED ENVIRONMENTAL MANAGE		14 316	3 886	3 894	-	525	525	525	-	1 060	-
Vote 8 - COMMUNITY DEVELOPMENT SERVICES		13 097	19 782	9 788	12 360	9 291	9 291	9 291	4 668	200	11 600
Vote 9 - ECONOMIC DEVELOPMENT SERVICES		17 412	47 880	46 493	40 000	69 881	69 881	69 881	106 630	-	-
Vote 10 - UTILITIES MANAGEMENT SERVICES		26 302	15 599	10 896	43 278	39 871	39 871	39 871	36 700	67 016	38 500
Vote 11 - PUBLIC WORKS, ROADS & TRANSPORT		4 941	524	22 054	600	4 000	4 000	4 000	27 727	500	1 000
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		125 014	126 524	98 713	101 738	142 555	142 555	142 555	175 725	79 261	51 100
Total Capital Expenditure - Vote		398 868	470 690	245 589	293 878	365 040	365 040	365 040	281 169	370 084	397 337
Capital Expenditure - Functional											
Governance and administration		60 093	44 351	5 223	5 500	22 487	22 487	22 487	-	11 485	1 000
Executive and council		24 186	9 021	15	-	52	52	52	-	-	-
Finance and administration		35 907	35 329	5 208	5 500	22 435	22 435	22 435	-	11 311	1 000
Internal audit		-	-	-	-	-	-	-	-	174	-
Community and public safety		23 476	26 966	31 250	49 228	104 303	104 303	104 303	113 796	46 595	44 347
Community and social services		5 591	12 162	19 797	24 460	27 581	27 581	27 581	19 043	40 335	26 224
Sport and recreation		17 623	14 804	11 452	9 499	13 967	13 967	13 967	6 752	6 260	18 123
Public safety		261	-	-	-	-	-	-	-	-	-
Housing		-	-	-	15 269	62 756	62 756	62 756	88 000	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		120 605	215 245	108 845	82 548	88 466	88 466	88 466	77 812	103 374	143 654
Planning and development		34 711	139 311	57 725	64 396	67 336	67 336	67 336	19 357	44 635	80 000
Road transport		62 449	56 234	37 666	18 152	21 130	21 130	21 130	58 455	58 679	63 654
Environmental protection		23 446	19 700	13 453	-	-	-	-	-	60	-
Trading services		190 019	183 808	100 011	156 602	149 783	149 783	149 783	89 561	208 630	208 335
Energy sources		62 359	35 700	12 359	32 900	30 517	30 517	30 517	8 000	112 730	70 960
Water management		87 634	86 438	52 632	48 000	41 804	41 804	41 804	34 385	50 000	43 451
Waste water management		29 340	52 749	33 156	70 702	77 462	77 462	77 462	20 700	15 900	69 924
Waste management		10 686	8 921	1 865	5 000	-	-	-	26 476	30 000	24 000
Other		4 676	321	260	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	398 868	470 690	245 589	293 878	365 040	365 040	365 040	281 169	370 084	397 337
Funded by:											
National Government		95 478	145 396	114 067	172 631	182 478	182 478	182 478	164 742	185 467	231 707
Provincial Government		3 765	6 522	28 415	20 969	46 706	46 706	46 706	93 990	6 390	-
District Municipality		-	6 667	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	99 243	158 584	142 482	193 600	229 184	229 184	229 184	258 732	191 857	231 707
Public contributions & donations	5	1 500	64 989	18 768	20 000	46 890	46 890	46 890	-	-	-
Borrowing	6	174 075	63 047	2 880	-	-	-	-	-	-	-
Internally generated funds		124 050	184 070	81 459	80 278	88 966	88 966	88 966	22 437	178 227	165 630
Total Capital Funding	7	398 868	470 690	245 589	293 878	365 040	365 040	365 040	281 169	370 084	397 337

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2018/19, R105, 443 million has been allocated to capital budget of which R83 million is funded from grants.
3. Single-year capital expenditure has been appropriated at R175, 725 million for the 2018/19 financial year and decreases over the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office furniture and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental requirements as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from national & provincial grants and internally generated funds to be raised during 2018/19 financial year. For 2018/19, capital transfers totals R258, 732 million or 92 per cent and decreases to R191, 857 million during 2019/20. Internally generated funding during 2018/19 is appropriated to R22, 437 million or 8 per cent of total capital budget, then proposed budget of R178 million and R165 million for each of the respective financial years of the MTREF.

Table 18 MBRR Table A6 - Budgeted Financial Position**GT481 Mogale City - Table A6 Budgeted Financial Position**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
ASSETS											
Current assets											
Cash		31 209	26 118	14 484	188 322	96 345	96 345	96 345	281 941	366 343	499 315
Call investment deposits	1	134 687	41 173	109 940	29 565	—	—	—	—	—	—
Consumer debtors	1	431 213	420 758	375 576	486 264	486 264	486 264	486 264	510 577	525 895	536 413
Other debtors		192	18 520	37 985							
Current portion of long-term receivables		—									
Inventory	2	15 159	15 202	18 600	15 138	15 138	15 138	15 138	15 895	16 372	16 699
Total current assets		612 461	521 772	556 585	719 289	597 747	597 747	597 747	808 414	908 609	1 052 426
Non current assets											
Long-term receivables											
Investments		61 608	70 294	632	84 055						
Investment property		534 027	486 713	502 001	525 131	525 131	525 131	525 131	469 405	489 405	514 405
Investment in Associate											
Property, plant and equipment	3	5 360 549	5 570 128	5 525 968	5 500 444	5 571 605	5 571 605	5 571 605	5 238 248	5 276 479	5 329 367
Agricultural			—								
Biological											
Intangible		20 905	14 869	8 715	23 793	23 793	23 793	23 793	59 716	60 001	60 001
Other non-current assets		1 446	2 452	2 466					2 466	2 466	2 466
Total non current assets		5 978 534	6 144 455	6 039 783	6 133 424	6 120 530	6 120 530	6 120 530	5 769 835	5 828 352	5 906 239
TOTAL ASSETS		6 590 995	6 666 227	6 596 367	6 852 712	6 718 278	6 718 278	6 718 278	6 578 248	6 736 961	6 958 666
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	41 346	65 915	144 465	118 981	168 981	168 981	168 981	134 666	134 809	136 173
Consumer deposits		50 542	67 331	68 773	67 331	67 331	67 331	67 331	70 697	72 818	74 274
Trade and other payables	4	608 070	687 775	796 648	654 851	654 851	654 851	654 851	687 594	708 222	722 386
Provisions		14 085	15 273	17 265	15 273	15 273	15 273	15 273	16 036	16 517	16 848
Total current liabilities		714 043	836 292	1 027 151	856 436	906 436	906 436	906 436	908 993	932 366	949 681
Non current liabilities											
Borrowing		519 153	506 955	383 748	364 150	364 150	364 150	364 150	287 507	250 554	213 018
Provisions		231 424	239 360	242 648	239 360	239 360	239 360	239 360	251 328	258 868	264 045
Total non current liabilities		750 578	746 315	626 396	603 509	603 509	603 509	603 509	538 835	509 422	477 063
TOTAL LIABILITIES		1 464 620	1 582 608	1 653 547	1 459 945	1 509 945	1 509 945	1 509 945	1 447 828	1 441 788	1 426 744
NET ASSETS	5	5 126 375	5 083 620	4 942 820	5 392 767	5 208 333	5 208 333	5 208 333	5 130 421	5 295 173	5 531 922
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		5 115 941	5 070 960	4 926 722	5 380 108	5 195 673	5 195 673	5 195 673	5 111 948	5 276 146	5 512 515
Reserves	4	10 434	12 660	16 098	12 660	12 660	12 660	12 660	18 473	19 027	19 407
TOTAL COMMUNITY WEALTH/EQUITY	5	5 126 375	5 083 620	4 942 820	5 392 767	5 208 333	5 208 333	5 208 333	5 130 421	5 295 173	5 531 922

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash

position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 19 MBRR Table A7 - Budgeted Cash Flows**GT481 Mogale City - Table A7 Budgeted Cash Flows**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		370 073	463 341	509 283	537 868	510 694	510 694		576 117	610 684	647 325
Service charges		1 032 472	1 385 469	1 454 866	1 378 803	1 467 534	1 467 534		1 536 062	1 628 225	1 725 919
Other revenue		122 560	291 000	135 130	297 770	308 839	308 839		88 560	93 874	99 506
Government - operating	1	251 477	273 032	299 181	345 334	343 362	343 362		387 583	419 535	454 963
Government - capital	1	114 167	164 481	136 988	193 600	229 184	229 184		262 391	191 857	231 707
Interest		17 286	32 382	44 164	40 393	44 952	44 952		47 160	49 989	52 989
Dividends		19	20	21					-	-	-
Payments											
Suppliers and employees		(1 570 555)	(2 132 778)	(2 165 134)	(2 188 098)	(2 361 315)	(2 361 315)		(2 323 116)	(2 466 048)	(2 610 895)
Finance charges		(43 110)	(39 232)	(55 853)	(48 467)	(56 755)	(56 755)		(41 734)	(38 822)	(35 032)
Transfers and Grants	1	(43 097)	(68 517)	(59 387)	(56 072)	(56 072)	(56 072)		-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		251 293	369 197	299 259	501 131	430 422	430 422	-	533 023	489 294	566 482
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE					20 000	21 000	21 000		20 000	-	-
Decrease (increase) in non-current debtors			42	401					-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(398 868)	(470 690)	(245 589)	(293 878)	(365 040)	(365 040)		(281 169)	(370 084)	(397 337)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(398 868)	(470 649)	(245 188)	(273 878)	(344 040)	(344 040)	-	(261 169)	(370 084)	(397 337)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									100 000	100 000	100 000
Borrowing long term/refinancing		216 768	38 488						-	-	-
Increase (decrease) in consumer deposits			6 198	(32 808)					-	-	-
Payments											
Repayment of borrowing			(41 840)	(43 805)	(106 223)	(34 787)	(34 787)		(134 666)	(134 809)	(136 173)
NET CASH FROM/(USED) FINANCING ACTIVITIES		216 768	2 846	(76 613)	(106 223)	(34 787)	(34 787)	-	(34 666)	(34 809)	(36 173)
NET INCREASE/ (DECREASE) IN CASH HELD		69 192	(98 605)	(22 542)	121 030	51 596	51 596	-	237 189	84 401	132 972
Cash/cash equivalents at the year begin:	2	96 705	165 897	67 292	67 292	44 749	44 749		44 753	281 941	366 343
Cash/cash equivalents at the year end:	2	165 897	67 292	44 749	188 322	96 345	96 345	-	281 941	366 343	499 315

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. As part of the 2017/18 mid-year review and Adjustment Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations.
4. Cash and cash equivalents at the beginning of year predicts a surplus of R44,753 million and as at the end of the 2018/19 financial year project a surplus of R281,941 million and increases to R499,315 million during 2020/21.

Table 20 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	165 897	67 292	44 749	188 322	96 345	96 345	–	281 941	366 343	499 315
Other current investments > 90 days		0	(0)	79 674	29 565	–	–	96 345	–	–	–
Non current assets - Investments	1	61 608	70 294	632	84 055	–	–	–	–	–	–
Cash and investments available:		227 504	137 585	125 056	301 942	96 345	96 345	96 345	281 941	366 343	499 315
Application of cash and investments											
Unspent conditional transfers		1 712	14 058	8 852	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	60 771	–	–	47 524	–	–	–	–	–	–
Other working capital requirements	3	196 882	237 907	380 165	128 510	129 633	129 633	607 328	157 594	161 123	163 186
Other provisions		14 085	15 273	17 265	15 273	17 265	17 265	–	–	–	–
Long term investments committed	4	60 960	69 705	79 674	84 055	(84 055)	(84 055)	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		334 410	336 943	485 955	275 361	62 842	62 842	607 328	157 594	161 123	163 186
Surplus(shortfall)		(106 906)	(199 357)	(360 899)	26 581	33 503	33 503	(510 982)	124 347	205 220	336 128

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. From the table above it can be seen that from 2014/15 to 2016/17 audited outcome indicated a shortfall of R106, 906 million and increases to R360, 899 million during 2016/17, this has put pressure in our cash flow for about 3 years. The projection for 2018/19 indicates a surplus of R124, 347 million increasing over the MTREF to R336, 128 million.
5. The objective for the final approval budget for the 2018/19 MTREF must ensure that the budget is funded and aligned to section 18 of the MFMA.

Table 21 MBRR Table A9 - Asset Management

GT481 Mogale City - Table A9 Asset Management

T3481 Moggale City - Table A9 Asset Management											
R thousand	Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcomes	Audited Outcomes	Audited Outcomes	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CAPITAL EXPENDITURE											
Total New Assets											
1			255 287	347 419	183 186	258 823	330 167	330 167	250 462	262 448	331 315
	Roads Infrastructure		41 693	35 217	5 796	17 500	500	500	33 500	33 500	36 000
	Storm water Infrastructure		52 461	37 654	11 983	25 900	30 517	30 517	8 000	59 230	42 870
	Electrical Infrastructure		30 500	46 208	37 016	43 500	41 304	41 304	34 385	50 000	43 451
	Water Supply Infrastructure		13 622	35 260	32 482	68 324	75 084	75 084	20 700	8 400	57 924
	Sanitation Infrastructure								5 000	4 000	
	Solid Waste Infrastructure										
	Rail Infrastructure										
	Coastal Infrastructure										
	Information and Communication Infrastructure					2 000	101	101			
	Infrastructure		138 238	156 540	113 981	127 876	168 137	168 137	104 703	158 400	184 245
	Community Facilities		19 592	11 272	13 113	33 700	33 995	33 995	35 195	38 720	67 613
	Sport and Recreation Facilities										11 600
	Community Assets		19 592	11 272	13 113	33 700	33 995	33 995	35 195	38 720	79 213
	Heritage Assets										
	Revenue Generating									20 000	25 000
	Non-revenue Generating										
	Investment properties		2 675	954	5 901	20 000	41 991	41 991	562	20 000	28 000
	Operational Buildings		59 074	139 174	46 493	36 269	63 756	63 756	88 000	6 500	8 500
	Housing										
	Other Assets		57	140 128	52 393	56 369	105 748	105 748	88 562	6 500	8 500
	Biological or Cultivated Assets										
	Services										
	Licences and Rights		26 839	3 645	2 245	7 000	7 491	7 491		5 000	
	Intangible Assets		26 839	3 645	2 245	7 000	7 491	7 491		5 000	
	Computer Equipment					1 000	461	461	60	1 104	1 000
	Furniture and Office Equipment		5 641	1 331	1 275	1 000	1 020	1 020	105	564	342
	Machinery and Equipment		2 962	33 497	177	2 878	13 316	13 316	22 437	9 253	5 360
	Transport Assets										
	Libraries										
	Zoo's, Marine and Non-biological Animals								22 437	24 909	27 651
Total Renewal of Existing Assets											
2			143 581	123 271	62 403	13 472	3 472	3 472	4 789	5 077	
	Roads Infrastructure		20 675	21 013	10 468						
	Storm water Infrastructure		7 001	3 413	376						
	Electrical Infrastructure		57 360	37 838	15 380	4 500	500	500			
	Water Supply Infrastructure		15 441	17 484							
	Sanitation Infrastructure		2 483		785	5 000					
	Solid Waste Infrastructure										
	Rail Infrastructure										
	Coastal Infrastructure										
	Information and Communication Infrastructure										
	Infrastructure		102 980	79 752	38 488	9 500	800	800			
	Community Facilities		21	408	27 186	2 972	2 972	2 972			
	Sport and Recreation Facilities		17 308	14 771	4 524	1 000	2 972	2 972	4 789	5 077	
	Community Assets		17 308	14 771	4 524	1 000	2 972	2 972	4 789	5 077	
	Heritage Assets		1 347	400							
	Revenue Generating										
	Non-revenue Generating										
	Investment properties		21 918	706	2 196						
	Operational Buildings										
	Housing										
	Other Assets		21 918	706	2 196						
	Biological or Cultivated Assets										
	Services										
	Licences and Rights										
	Intangible Assets										
	Computer Equipment										
	Furniture and Office Equipment										
	Machinery and Equipment		28								
	Transport Assets										
	Libraries										
	Zoo's, Marine and Non-biological Animals										
Total Upgrading of Existing Assets											
6						21 583	31 401	31 401	30 707	102 845	60 945
	Roads Infrastructure										
	Storm water Infrastructure										
	Electrical Infrastructure										
	Water Supply Infrastructure										
	Sanitation Infrastructure										
	Solid Waste Infrastructure										
	Rail Infrastructure										
	Coastal Infrastructure										
	Information and Communication Infrastructure										
	Infrastructure										
	Community Facilities										
	Sport and Recreation Facilities										
	Community Assets										
	Heritage Assets										
	Revenue Generating										
	Non-revenue Generating										
	Investment properties										
	Operational Buildings										
	Housing										
	Other Assets										
	Biological or Cultivated Assets										
	Services										
	Licences and Rights										
	Intangible Assets										
	Computer Equipment										
	Furniture and Office Equipment										
	Machinery and Equipment										
	Transport Assets										
	Libraries										
	Zoo's, Marine and Non-biological Animals										
Total Capital Expenditure - Asset class											
4			62 328	56 230	16 263	500	20 800	20 800	36 018	500	36 000
	Roads Infrastructure										
	Storm water Infrastructure										
	Electrical Infrastructure										
	Water Supply Infrastructure										
	Sanitation Infrastructure										
	Solid Waste Infrastructure										
	Rail Infrastructure										
	Coastal Infrastructure										
	Information and Communication Infrastructure										
	Infrastructure										
	Community Facilities										
	Sport and Recreation Facilities										
	Community Assets										
	Heritage Assets										
	Revenue Generating										
	Non-revenue Generating										
	Investment properties										
	Operational Buildings										
	Housing										
	Other Assets										
	Biological or Cultivated Assets										
	Services										
	Licences and Rights										
	Intangible Assets										
	Computer Equipment										
	Furniture and Office Equipment										
	Machinery and Equipment										
	Transport Assets										
	Libraries										
	Zoo's, Marine and Non-biological Animals										
Total ASSET REGISTER SUMMARY - PPE (WDV)											
5			2 154 408	2 196 610	2 182 793	1 975 937	1 953 396	1 953 396	1 908 952	1 873 331	1 835 777
	Roads Infrastructure		1 089 995	1 042 736	1 029 963	200 263	232 375	232 375	177 375	177 375	177 375
	Storm water Infrastructure		458 366	520 009	513 677	554 926	477 126	477 126	444 547	423 565	391 776
	Electrical Infrastructure		463 042	492 545	481 559	684 543	404 314	404 314	57 507	524 968	585 149
	Solid Waste Infrastructure					244	70 614	70 614	96 057	124 961	147 800
	Rail Infrastructure										
	Coastal Infrastructure										
	Information and Communication Infrastructure										
	Infrastructure										
	Community Facilities										
	Sport and Recreation Facilities										
	Community Assets										
	Heritage Assets										
	Revenue Generating										
	Non-revenue Generating										
	Investment properties										
	Operational Buildings										
	Housing										
	Other Assets										
	Biological or Cultivated Assets										
	Services										
	Licences and Rights										
	Intangible Assets										
	Computer Equipment										
	Furniture and Office Equipment										
	Machinery and Equipment										
	Transport Assets										
	Libraries							</			

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of total value of PPE (Property, Plant & Equipment).
3. During 2018/19 financial year 10.9 per cent of capital budget is allocated to renewal of existing assets, repairs & maintenance as a percentage of PPE for 2019/20 is 29.1 per cent and 2020/21 is increasing to 16.6 per cent. Mogale City will continue and strive to renew, upgrade and maintain its assets to deliver better quality service to all.

Table 22 MBRR Table A10 - Basic Service Delivery Measurement

GT481 Mogale City - Table A10 Basic service delivery measurement

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Household service targets	1									
Water:										
Piped water inside dwelling		—	—	—	77 218	77 218	77 218	81 851	86 762	91 967
Piped water inside yard (but not in dwelling)		—	—	—	39 859	39 859	39 859	42 251	44 786	47 473
Using public tap (at least min.service level)	2	—	—	—	5 950	5 950	5 950	6 307	6 686	7 087
Other water supply (at least min.service level)	4	—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>					123 027	123 027	123 027	130 408	138 233	146 527
Using public tap (< min.service level)	3	—	—	—	3 641	3 641	3 641	3 859	4 091	4 336
Other water supply (< min.service level)	4	—	—	—	1 214	1 214	1 214	1 286	1 364	1 445
No water supply		—	—	—	2 930	2 930	2 930	3 106	3 292	3 489
<i>Below Minimum Service Level sub-total</i>					7 784	7 784	7 784	8 251	8 746	9 271
Total number of households	5	—	—	—	130 811	130 811	130 811	138 659	146 979	155 798
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		—	—	—	103 932	103 932	103 932	110 168	116 778	123 784
Flush toilet (with septic tank)		—	—	—	6 474	6 474	6 474	6 863	7 274	7 711
Chemical toilet		—	—	—	3 234	3 234	3 234	3 428	3 633	3 852
Pit toilet (ventilated)		—	—	—	2 565	2 565	2 565	2 719	2 882	3 055
Other toilet provisions (> min.service level)		—	—	—	5 352	5 352	5 352	5 673	6 014	6 375
<i>Minimum Service Level and Above sub-total</i>					121 557	121 557	121 557	128 850	136 581	144 776
Bucket toilet		—	—	—	2 676	2 676	2 676	2 837	3 007	3 187
Other toilet provisions (< min.service level)		—	—	—	692	692	692	733	777	824
No toilet provisions		—	—	—	1 359	1 359	1 359	1 441	1 527	1 619
<i>Below Minimum Service Level sub-total</i>					4 727	4 727	4 727	5 011	5 311	5 630
Total number of households	5	—	—	—	126 284	126 284	126 284	133 861	141 893	150 406
Energy:										
Electricity (at least min.service level)		—	—	—	110 164	110 164	110 164	116 774	123 781	131 207
Electricity - prepaid (min.service level)		—	—	—	6 338	6 338	6 338	6 719	7 122	7 549
<i>Minimum Service Level and Above sub-total</i>					116 503	116 503	116 503	123 493	130 902	138 756
Electricity (< min.service level)		—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)		—	—	—	6 117	6 117	6 117	6 484	6 873	7 285
Other energy sources		—	—	—	3 665	3 665	3 665	3 885	4 118	4 365
<i>Below Minimum Service Level sub-total</i>					9 781	9 781	9 781	10 368	10 990	11 650
Total number of households	5	—	—	—	126 284	126 284	126 284	133 861	141 893	150 406
Refuse:										
Removed at least once a week		—	—	—	105 544	105 544	105 544	111 877	118 589	125 705
<i>Minimum Service Level and Above sub-total</i>					105 544	105 544	105 544	111 877	118 589	125 705
Removed less frequently than once a week		—	—	—	1 990	1 990	1 990	2 109	2 236	2 370
Using communal refuse dump		—	—	—	2 849	2 849	2 849	3 020	3 201	3 393
Using own refuse dump		—	—	—	12 644	12 644	12 644	13 403	14 207	15 060
Other rubbish disposal		—	—	—	759	759	759	805	853	904
No rubbish disposal		—	—	—	2 498	2 498	2 498	2 647	2 806	2 975
<i>Below Minimum Service Level sub-total</i>					20 740	20 740	20 740	21 984	23 303	24 701
Total number of households	5	—	—	—	126 284	126 284	126 284	133 861	141 892	150 406
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		—	—	—	52 900	44 275	44 275	46 932	49 747	52 732
Sanitation (free minimum level service)		—	—	—	13 500	9 569	9 569	10 143	10 752	11 397
Electricity/other energy (50kwh per household per month)		—	—	—	13 500	9 569	9 569	10 143	10 752	11 397
Refuse (removed at least once a week)		—	—	—	13 500	9 569	9 569	10 143	10 752	11 397
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		—	—	—	—	2 322	2 322	2 461	2 609	2 765
Sanitation (free sanitation service to indigent households)		—	—	—	—	1 254	1 254	1 330	1 410	1 494
Electricity/other energy (50kwh per indigent household per month)		—	—	—	—	409	409	433	459	487
Refuse (removed once a week for indigent households)		—	—	—	—	1 397	1 397	1 481	1 570	1 664
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Refuse (removed once a week for indigent households)		—	—	—	—	5 382	5 382	5 705	6 047	6 410
Total cost of FBS provided		—	—	—	—	10 764	10 764	11 410	12 094	12 820
Highest level of free service provided per household										
Property rates (R value threshold)					40 800	40 000	40 000	42 400	44 944	47 641
Water (kilolitres per household per month)					6	6	6	6	7	7
Sanitation (kilolitres per household per month)					6	6	6	6	7	7
Sanitation (Rand per household per month)					173	221	221	235	249	264
Electricity (kwh per household per month)					51	50	50	53	56	60
Refuse (average litres per week)					245	240	240	254	269	286
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		—	—	—	257 201	25	25	27	28	30
Water (in excess of 6 kilolitres per indigent household per month)		—	—	—	—	3 985	3 985	4 224	4 477	4 746
Sanitation (in excess of free sanitation service to indigent households)		—	—	—	—	2 115	2 115	2 242	2 376	2 519
Electricity/other energy (in excess of 50 kwh per indigent household per month)		—	—	—	—	296	296	313	332	352
Refuse (in excess of one removal a week for indigent households)		—	—	—	—	303	303	321	341	361
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
Total revenue cost of subsidised services provided	6	—	—	—	257 201	6 724	6 724	7 127	7 555	8 008

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Mogale City continues to make progress with the eradication of backlogs:
 - a. Water services – (below minimum service level) 8 251 households are provided by water through water tankering. These households are largely found in ‘rural areas’ and these areas are the key focus priority of the City in eradicating poverty and low service delivery.
 - b. Sanitation services – backlog have been eradicated as the City is providing or renting chemical toilets mostly for Informal Settlements in rural areas.
 - c. Electricity services - as indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised.
3. The budget provides for 13 400 households to be registered as indigent in 2018/19 currently Mogale City is providing free basic services to 10 143 households. The number is set to increase to 11 397 households given the rapid rate of in-migration to the City, especially by poor people seeking economic opportunities.

2. Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Executive Mayor.

The primary aim of the Budget Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 31 August 2017. Key dates applicable to the process were:

PHASES	ACTIVITIES	RESPONSIBLE	DATES
Phase 1 Planning Process			
	Adoption of IDP/ Budget Process Plan	IDP and BTO	August 2017
	Presentation to IDP/ Budget task team	IDP Division	August 2017
Strategic IDP/Budget workshop for Mayoral Committee and Senior Management	Presentation to councillors	IDP and BTO	October 2017
	Review of 2016/17 public participation to determine the following: <ul style="list-style-type: none"> What needs to be improved for the public participation? What are the possible alternatives for the next public participation? 	IDP and Public Participation Divisions	October 2017
	<ul style="list-style-type: none"> Review 1st quarter performance Determine service delivery priorities Agree on MTFF and its assumptions. Agree on initial cash limits for each department 	IDP Division and BTO	October 2017
	MEC comments review	IDP Division	Oct/Nov 2017
	Executive Managers/Managers complete IDP/Budget input forms.	All Departments	November 2017
	Public Participation Process	Exec. Mayor and Mayoral committee	October 2017
Phase 2 Analysis			
Community and stakeholder analysis	Community and stakeholder register	Office of the Speaker	October 2017
	Consideration of economic priorities	Financial Services	Oct/Nov 2017
	Institutional analysis	Corporate Services	Oct/Nov 2017
	Spatial Priorities	Planning and Development	Oct/Nov 2017

	Socio-Economic Priorities	IDP Unit	Oct/Nov 2017
	Institutional transformation	All Departments	Oct/Nov 2017
	Compliance with IDP legal framework	The entire municipality	Oct/Nov 2017
	Alignment of Priorities	IDP unit	Oct/Nov 2017
PHASE 3 STRATEGIES			
	Vision and Mission	The entire municipality	November 2017
	Objectives and development priorities	The entire municipality	November 2017
	Programme and Project Identification	The entire municipality	November 2017
PHASE 4 PROGRAMME AND PROJECTS			
Project & programme proposals	Priority Programmes and Projects	All Departments	November 2017
Project costing	CAPEX and OPEX costing	BTO Division	December 2017
	Setting of project targets and indicators	All Departments	
PHASE 5 INTEGRATION			
	MEC comments	IDP Division	January 2018
	Sectoral plans	All Departments	
	Operational plans		
	Midyear Performance review	M& E Division	January 2018
	<ul style="list-style-type: none">Agreement on the 2017/2018 adjustment budgetAgreement on changes proposed by Executive Mayor and Councillors on IDP/Budget on 2017/2018 adjustment budget	IDP and BTO Divisions	January 2018
	Tabling of the midyear performance review and 2016/17 annual report	Executive Mayor	January 2018
PHASE 6 APPROVAL			
	Tabling of the draft IDP/Budget to Portfolios	IDP/Budget Division	March 2018
	Tabling of the draft IDP and budget to council	Executive Mayor	March 2018
	Public Notice inviting comments	IDP Division	April 2018
	Statutory Public Participation process	Executive Mayor	April 2018
	Responses to and incorporation of comments including portfolio Committees inputs		

	Tabling of IDP and budget for consideration/ approval.	Executive Mayor	May/June 2018
	Submission of the approved IDP to the MEC of Local Government	IDP unit	June/July 2018
	Approval of the SDBIP	Executive Mayor	June/July 2018
PHASE 7 IMPLEMENTATION			
	Project implementation in accordance with the SDBIP	All Departments	July 2018 – June 2019
	Submission of the SDBIP to National & Provincial Treasury	IDP Division	July 2018 January 2019
	Monitoring	M&E Division	
	Review/Adjustment	All Departments	
	Submission of the Revised SDBIP to National & Provincial Treasury	IDP Division	March 2019
	Quarterly reporting MM, MEC, council	M&E Division	Every quarter
PHASE 8 ANNUAL REVIEW			
Draft Annual Report	Submission of unaudited Draft Annual Report to MPAC	M & E Division	Aug 19
	Submission of the Annual Report to AG	M&E Division	Aug 19
	Tabling of the Annual Report	M&E Division	Nov 19
Oversight Report	Oversight Report made public and Submitted to National Treasury and Local Government Departments	Speaker's Office	Jan 20

2.2 Overview of budget related-policies

2.2.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council.

2.2.2 The following budget related policies were approved by Council for the implementation in the 2010/11, 2011/12, 2013/14, 2014/15, 2015/16 and 2016/17 financial years remain in force for the 2017/18 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws
9. Mogale City Tree Management & Conversation Policy
10. Mogale City Parks By-laws
11. Waste Tariff Policy

2.2.3 Review of Property Rates Policy

Changes are proposed to the 2017/2018 Property Rates Policy as follows:

1. Addition on Section 2.35.(definition) Public Service purpose” in relation to the use of a property, means property owned and used by an organ of state such as, hospitals and clinics; schools, pre-schools and ECDC’s; national and provincial libraries; police stations; correctional facilities and courts of law.
2. Addition on section 2.9 definition of Commercial property includes private schools.
3. Addition on section 2.32 definition of PBO excludes private schools
4. Addition on 8.1. (b) (i)The joint household income of the applicant if any, may not exceed R120 000 per annum for a financial year.

2.2.4 Review of credit control and debt collection policy

Changes and additions are proposed to the 2017/18 policy as follows:

The clause R400 and more is removed from clause 6.4.1

This clause was added on clause 10, before any property can be transferred from one owner to another, all arrears in terms of the section 118 of the Systems Act and other applicable legislations. The clause 7 day period is removed on clause 6.4.2

14.2 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he/she agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizable income levels. This clause is removed.

14.4 The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act. This clause is removed

Policy to be changed to plural on clause 16

2.2.5 Changes and additions are proposed to the 2017/18 approved policy all the changes and additions are bold and in italic on the attached policies.

1. Cash Management & Investment Policy
2. Long Term Financial Planning Policy
3. Virement Policy
4. Budget Management Policy
5. Borrowing Policy
6. Asset Management Policy (combining movable & immovable)
7. Supply Chain Management Policy

2.3 Overview of budget assumptions

General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 27 per cent of total operating expenditure in the 2018/19 MTREF.

2.3.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. There is no borrowing during 2017/18 financial year.

2.3.2 Collection rate for revenue services

It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term, having considered this it is prudent to assume that tariff increases will be modest going forward.

The rate of revenue collection is currently expressed as a percentage (**96 per cent**) of annual billings. Cash flow is assumed to be 96 per cent of billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.3.3 Salary increases

Employees' salaries overall increase by 6.6% based on average inflation rate of 5.10% plus 1.5% of notch increases. The process of negotiations between labour and SALGA is still under consultation. Remuneration for councillors is increasing by 6% this is based on actual costs approved in accordance with the Government Gazette of Public Office Bearers Act. Employee related cost overall will increase by 6.6% based on *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018.

2.3.4 Impact of national, provincial and local policies

Integration of service delivery objectives between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Local Government Back to Basics Strategy
- Creating jobs;
- Expanding investment in infrastructure
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs, particularly as it relates to what mSCOA requires. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.3.6 The South African economy and inflation targets

The 2018 Budget Review emphasized that, although global risk factors remain elevated, the world economy continues to provide a supportive platform for South Africa to expand trade and investment. The world economic growth is at its highest since 2014 and continues to gather pace with Gross Domestic Product (GDP) growth increasing across all major economies.

South Africa has experienced a period of protracted economic weakness which diminishes private investment. This may be attributed to domestic constraints, associated to political uncertainty, and declining business and consumer confidence. The local economy is beginning to recover after a short recession in early 2017 however the improvement is insufficient. Growth has remained stagnant at less than 2 per cent and unemployment remains high at 26.7 per cent. The prerequisites for increased revenue and expanded service delivery are more rapid growth, investment and job creation.

The GDP growth rate is forecasted at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020. Statistics South Africa's December 2017 economic statistics showed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining.

Mogale City is committed to focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore will ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform our planning. Financial sustainability means that future generations will not be burdened with paying for services that today's taxpayers enjoy.

1.1.7 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt)

Table 23 MBRR Table A7 - Budget cash flow statement

GT481 Mogale City - Table A7 Budgeted Cash Flows

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		370 073	463 341	509 283	537 868	510 694	510 694		576 117	610 684	647 325
Service charges		1 032 472	1 385 469	1 454 866	1 378 803	1 467 534	1 467 534		1 536 062	1 628 225	1 725 919
Other revenue		122 560	291 000	135 130	297 770	308 839	308 839		88 560	93 874	99 506
Government - operating	1	251 477	273 032	299 181	345 334	343 362	343 362		387 583	419 535	454 963
Government - capital	1	114 167	164 481	136 988	193 600	229 184	229 184		262 391	191 857	231 707
Interest		17 286	32 382	44 164	40 393	44 952	44 952		47 160	49 989	52 989
Dividends		19	20	21					-	-	-
Payments											
Suppliers and employees		(1 570 555)	(2 132 778)	(2 165 134)	(2 188 098)	(2 361 315)	(2 361 315)		(2 323 116)	(2 466 048)	(2 610 895)
Finance charges		(43 110)	(39 232)	(55 853)	(48 467)	(56 755)	(56 755)		(41 734)	(38 822)	(35 032)
Transfers and Grants	1	(43 097)	(68 517)	(59 387)	(56 072)	(56 072)	(56 072)		-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		251 293	369 197	299 259	501 131	430 422	430 422	-	533 023	489 294	566 482
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE					20 000	21 000	21 000		20 000	-	-
Decrease (Increase) in non-current debtors			42	401					-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(398 868)	(470 690)	(245 589)	(293 878)	(365 040)	(365 040)		(281 169)	(370 084)	(397 337)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(398 868)	(470 649)	(245 188)	(273 878)	(344 040)	(344 040)	-	(261 169)	(370 084)	(397 337)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									100 000	100 000	100 000
Borrowing long term/refinancing		216 768	38 488						-	-	-
Increase (decrease) in consumer deposits			6 198	(32 808)					-	-	-
Payments											
Repayment of borrowing			(41 840)	(43 805)	(106 223)	(34 787)	(34 787)		(134 666)	(134 809)	(136 173)
NET CASH FROM/(USED) FINANCING ACTIVITIES		216 768	2 846	(76 613)	(106 223)	(34 787)	(34 787)	-	(34 666)	(34 809)	(36 173)
NET INCREASE/ (DECREASE) IN CASH HELD		69 192	(98 605)	(22 542)	121 030	51 596	51 596	-	237 189	84 401	132 972
Cash/cash equivalents at the year begin:	2	96 705	165 897	67 292	67 292	44 749	44 749		44 753	281 941	366 343
Cash/cash equivalents at the year end:	2	165 897	67 292	44 749	188 322	96 345	96 345	-	281 941	366 343	499 315

The above table shows that cash and cash equivalents of the City remains positive from 2014/15 at R165 million, then increases during 2018/19 financial year and over the MTREF.

2.3.5 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Table 24 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash and investments available											
Cash/cash equivalents at the year end	1	165 897	67 292	44 749	188 322	96 345	96 345	–	281 941	366 343	499 315
Other current investments > 90 days		0	(0)	79 674	29 565	–	–	96 345	–	–	–
Non current assets - Investments	1	61 608	70 294	632	84 055	–	–	–	–	–	–
Cash and investments available:		227 504	137 585	125 056	301 942	96 345	96 345	96 345	281 941	366 343	499 315
Application of cash and investments											
Unspent conditional transfers		1 712	14 058	8 852	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	60 771	–	–	47 524	–	–	–	–	–	–
Other working capital requirements	3	196 882	237 907	380 165	128 510	129 633	129 633	607 328	157 594	161 123	163 186
Other provisions		14 085	15 273	17 265	15 273	17 265	17 265	–	–	–	–
Long term investments committed	4	60 960	69 705	79 674	84 055	(84 055)	(84 055)	–	–	–	–
Reserves to be backed by cash/investments	5	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:		334 410	336 943	485 955	275 361	62 842	62 842	607 328	157 594	161 123	163 186
Surplus(shortfall)		(106 906)	(199 357)	(360 899)	26 581	33 503	33 503	(510 982)	124 347	205 220	336 128

The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. **Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.**
- Long term investments consist primarily of the sinking funds for the repayment borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

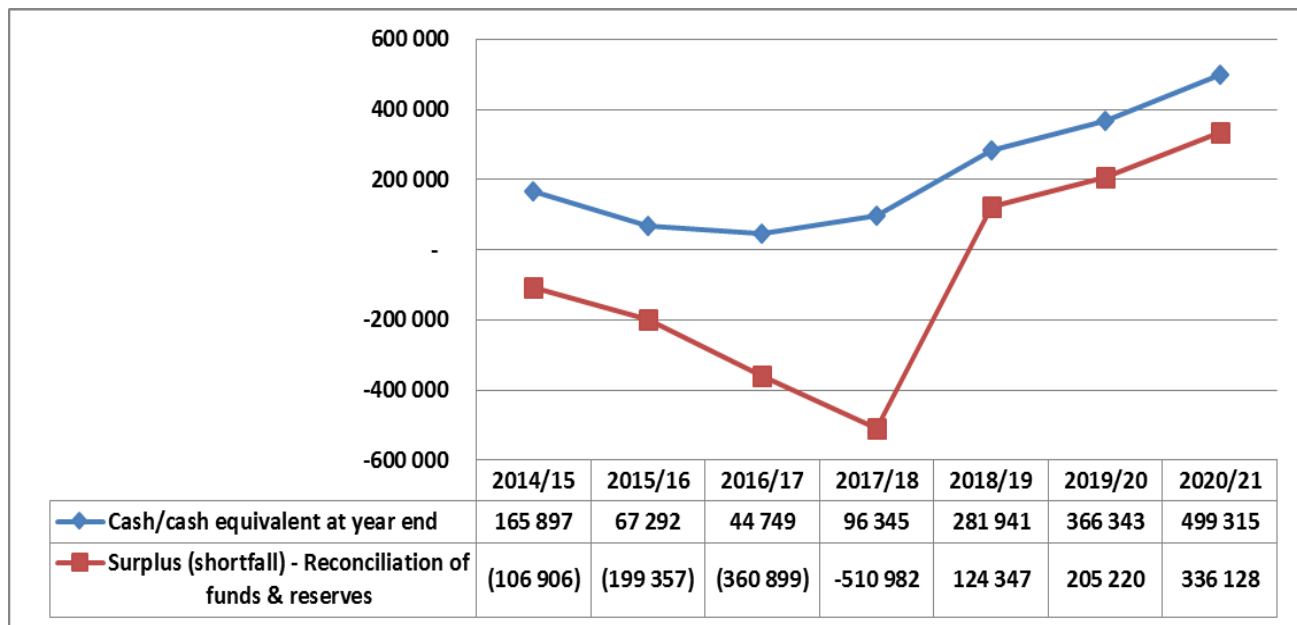


Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.4 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. Internship programme

The City is participating in the Municipal Financial Management Internship programme since March 2004 to June 2017, currently Mogale City have absorbed permanently all five interns. During the 2017/18 financial year we employed 5 interns to undergo training in various divisions of the Financial Services. Since the introduction of the Internship programme the City has successfully employed and trained twenty eight interns through this programme and majority of them were appointed in Mogale City.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional and from 2013/14 financial year Mogale City is utilizing shared district audit committee.

5. Service Delivery and Implementation Plan

The SDBIP content is based on the draft IDP, strategic plan objectives outlined.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette No 37922 on 18 August 2014. The ratios as prescribed in the Regulations have been complied with.

8. mSCOA Implementation

The implementation of the project is still currently on course, we will be in a position to table the budget in the mSCOA format. mSCOA requires that each item of expenditure be linked to a project, this is at the core of planning. As we implement the project we are effectively moving away from item based budgeting to project driven budgeting. We will table, as an attachment to this report, an annexure which details the budget by project, and furthermore there will be additional annexure which links amounts on the budget to six segments using GUID codes. In the coming months more focus will be on change management (training), and conversion of other datasets, notably asset register and billing information from their current structure to mSCOA format.

2.5 Municipal manager's quality certificate

I Maanda Pringle Raedani, Municipal Manager of Mogale City, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Maanda Pringle Raedani

Municipal Manager of Mogale City (GT481)

Signature_____

Date _____